



ANNUAL REPORT

2020



Powering our way of life.



WANAPUM DAM

Generation Units	10
Rated Capacity	1,221.7 MW
Concrete/Earthfill Length	8,637 FT
Rated Head	80 FT
Construction Started	1959
First Power Generation	1963

PRIEST RAPIDS DAM

Generation Units	10
Rated Capacity	950 MW
Concrete/Earthfill Length	10,103 FT
Rated Head	78 FT
Construction Started	1956
First Power Generation	1959

QUINCY CHUTE HYDROELECTRIC PROJECT

Rated Capacity	9.4 MW
First Power Generation	1985

POTHOLES EAST CANAL HEADWORKS PROJECT

Rated Capacity	6.5 MW
First Power Generation	1990

NINE CANYON WIND PROJECT

12.5% of Project Peak Capacity	12 MW
First Power Generation	2003



ELECTRIC SYSTEM

Overhead Distribution Lines	2,799 MILES
Underground Distribution Lines . .	1,105 MILES
Overhead Transformers	24,605
Padmount Transformers	10,134
115kV Transmission Lines282 MILES
230kV Transmission Lines202 MILES



ACTIVE METERS

Residential	39,638
Commercial	7,396
Industrial	228
Irrigation	4,966
Total Active Meters	52,228



SUBSTATIONS

Distribution	46
Transmission	4
Transmission/Distribution	3



HIGH SPEED NETWORK

Customers with fiber-optic availability	35,732
Customers using fiber-optic service	22,470

As of Dec. 31, 2020



Grant PUD was established by local residents in 1938 to provide power service to all of the county's residents. We honor the resolve of our founders through our guiding vision, mission and values.

VISION

Excellence in service and leadership.

We continually ask how we can improve service quality, reliability and stewardship of our resources in the most cost-effective manner.

MISSION

To safely, efficiently and reliably generate and deliver energy to our customers.

VALUES

SAFETY:

Everyone home safe, every day.

INNOVATION:

We make decisions that best serve present and future generations.

SERVICE:

We are committed to excellent customer service.

TEAMWORK:

We are one team with the same mission.

RESPECT:

We honor the rights and beliefs of those we work with and serve.

INTEGRITY:

We hold ourselves and others accountable to be professional in our actions and words.

HERITAGE:

We preserve and perpetuate the spirit of the PUD and Wanapum relationship.





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Tom Flint

Commission President



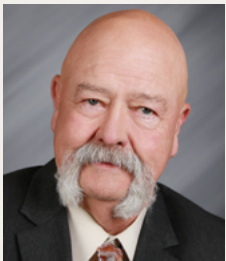
Larry Schaapman

Commission Vice President



Judy Wilson

Commission Secretary



Nelson Cox

Commissioner



Dale Walker

Commissioner

Commissioners' Report

While much changed for Grant County and the world in 2020 because of the COVID-19 pandemic, Grant PUD remained resolute in our commitment to provide our customers with reliable, low-cost energy, plus a high-quality wholesale broadband network.

Providing reliable and low-cost services has been our objective since we were created by a vote of the public in 1938. As commissioners in 2020, we were entrusted by the public to see that this legacy continued to be a part of our essential services despite the extraordinary challenges brought on by the pandemic.

Because of long-standing proactive financial management and rate policy, we were able to suspend late fees and shutoffs for our residential, small business and irrigation customers once the pandemic was declared. By board policy, we have established assistance programs in recent years to help those in need, including Share the Warmth, Pay-it-Forward, and our low-income rate for senior and disabled customers. These programs made a significant difference for many customers in 2020. We also announced that we would not need to raise rates for retail customers in 2021. This marked three years in a row with no retail rate increase.

As commissioners, we supported efforts to prevent the spread of COVID-19 among our employees and customers. We affirmed the decision to promote social distancing by closing facilities to only employees who were required to be on site to keep mission critical systems functioning. We also supported efforts to help our utility quickly perform essential work through technology solutions. Despite the pandemic, Grant County continued to accelerate along projected growth paths, as our area remains a place where many choose to expand their operations and seek a new livelihood. Low-cost power and available broadband connections are key components for attracting growth. Residential, commercial, and industrial customer categories all saw significant increases in new service points in 2020. We also expanded our fiber optic network to reach 2,583 more homes, farms, businesses and public facilities.

Our power is inexpensive thanks to our hydropower generation resources. With a capacity of more than 2,100 megawatts, these resources are important to not only our retail customers, but also for the whole region. As commissioners, we have approved recent budgets that include capital spending projects to ensure our dams will continue to safely and reliably generate power for decades to come.

Along with infrastructure upgrades, we also took steps to benefit the greatest asset at Grant PUD – our employees. In 2020, we approved an update to our Strategic Plan with a new objective - *Design and Sustain an Engaging and Fulfilling Grant PUD Culture*. To achieve this objective, our utility plans to recruit, develop and retain a best-in-class workforce, where every employee feels valued and every role is appreciated.

As we go forward with hope that our world will overcome the COVID-19 pandemic, we look back on 2020 with knowledge that Grant PUD operated from a position of strength during difficult times. We believe our best years are ahead. We are optimistic about how we will serve our community in the future.

Manager's Report

The year 2020 will long be remembered for how the world dealt with the impact of the COVID-19 pandemic.

Many of Grant PUD's customers and employees also struggled with the dire long-term effects of the virus. However, 2020 was a year in which the Grant PUD team demonstrated commitment to our goal of Excellence in Service and Leadership.

We demonstrated significant leadership during the pandemic's early days when our team recognized the need for unprecedented actions. Our early and ongoing efforts have kept COVID-19 from impacting our core mission to safely and reliably generate and deliver power, plus operate a wholesale broadband network for our customers.

In March, we made the decision to activate an internal Incident Management Team, which helped determine our best response to the situation. We closed our facilities to public access and decided to ask many of our employees to work from home. Our information technology team made a tremendous effort in short order to equip most employees with the tools to work remotely. We also collaborated with public health experts to develop protocols and policies to protect workers who had to remain on site keeping our mission-critical systems functioning.

It took tremendous teamwork and innovation to reinvent how we would perform our normal day-to-day functions — including serving our customers, paying invoices, meeting payroll, and responding to new service requests. We also labored to expand power service for our fast-growing county and successfully respond to outages and other emergencies. Our efforts resulted in very strong performances in our measurables and outcomes for safety, reliability, and finances.

As a vertically integrated electric utility, it was vital for us to ensure the critical employees "keeping the lights

on" were protected from the impacts of COVID-19. We worked collaboratively with our union partner, IBEW Local 77, to develop protocols and practices to ensure safe operations. As a hydropower project operator, we made adjustments to safely fulfill our requirements for providing safe public recreation opportunities and meet our obligations to enhance fish populations on the Columbia River.

Power generation and delivery are only a part of our core mission. We also operate a world-class wholesale fiber network. In 2020, a high-speed internet connection proved to be more vital than ever to most of our customers as education, business interactions, health appointments, religious services, and connections to family and friends were suddenly forced to move almost exclusively online. We are proud of our accomplishments in 2020 with Grant PUD's fiber optic network. Our workers and contractors extended fiber service to 2,583 more potential customers last year and we also signed up a record 3,458 subscribers through our participating internet service providers. By the end of the year, 63% of the people who have fiber available to them were taking the service.

As we look back on 2020, there are many things we hope to never experience again. But the lessons we learned of what we can accomplish through innovation and teamwork, the examples set by our staff to adapt and overcome challenges, and the new connections we made with our customers are things that we can carry forever.



A handwritten signature in blue ink that reads "Kevin Nordt".

Kevin Nordt
General Manager and CEO

Powered by History

1938 - Grant County PUD No. 2 was created by a majority vote of 2,166 to 828. Grant County PUD No. 1, which was previously created to serve just a portion of the county, was absorbed into the new, county-wide utility.

1941 - Grant PUD receives a \$600,000 loan from the Rural Electrification Administration to finance construction of approximately 440 miles of electric distribution lines in Grant and Douglas counties and to pay for the Coulee City and Soap Lake electric systems.

1945 - Grant PUD moves its offices from Soap Lake to Ephrata, the seat of Grant County.

1949 - Grant PUD works out procedures with Grant County and U.S. Bureau of Reclamation to provide electrical service to new farmland being developed as part of the Columbia Basin Reclamation Project.

1951 - Representatives of the Grant County Chamber of Commerce appeared before the Grant PUD Board of Commissioners and asked the PUD to consider constructing a dam at Priest Rapids.

1955 - The Federal Power Commission issued Grant PUD a license to build and operate two dams, known collectively as the Priest Rapids Project.

1957 - Governor Albert Rosellini turned a valve starting the first concrete pour at Priest Rapids Dam.

1959 - Construction began at Wanapum Dam, which was authorized as part of the Priest Rapids Project.

1962 - Priest Rapids Dam, with a generating capacity of 953 megawatts, was dedicated. U.S. Secretary of Commerce, Luther Hodges was the keynote speaker. Approximately 900 people attended.

1964 - The 10th and last generator went into production at Wanapum Dam, which at the time had a capacity of 1,040 megawatts. This made Grant PUD the third largest, non-federal producer of hydroelectric power in the nation.

1966 - Wanapum Dam is dedicated. Activities focused around the new heritage center, which opened to the public for the first time. Approximately 1,900 people were in attendance at the ceremony.

1976 - The Ephrata Service Center is completed and dedicated in honor of Bill Schempp's service to the Grant PUD.

1982 - Vera Claussen was the first woman elected to the Grant PUD Board of Commissioners.

1985 - The Quincy Chute hydroelectric project made its first commercial power output. The facility is operated by Grant PUD under agreement with the Grand Coulee Project Hydroelectric Authority and has a rated generating capacity of 9.4 megawatts.

1990 - The first commercial operation of the Potholes East Canal Headworks hydroelectric project began. The facility is operated by Grant PUD under agreement with the Grand Coulee Project Hydroelectric Authority and has a rated generating capacity of 6.5 megawatts.



2000 - Grant PUD commissioners authorized construction and testing of a full-size, prototype of the new advanced turbines to be installed in Wanapum Dam.

2001 - Grant PUD's new fiber optic network began serving customers.

2007 - Grant PUD Commissioners approved a 20-percent discount for low-income customers who are seniors or disabled. The customers must have incomes that are less than 150 percent of the poverty guidelines.

2008 - The Federal Energy Regulatory Commission awarded Grant PUD a new 44-year license to operate the Priest Rapids Project.

2008 - The Wanapum Fish Bypass Unit, which allows migrating juvenile salmon a safer passage over Wanapum Dam, while conserving water for generating capacity, began operating.

2012 - Construction began on the Priest Rapids Dam Fish Bypass Unit. The project converted three spillway bays into chutes that use a minimal amount of water to safely get juvenile salmon past the dam.

2013 - Grant PUD celebrates the completion of its Advanced Turbine Replacement Project at Wanapum Dam. The project included the replacement of all 10 of the dam's original turbines.

2014 - A fracture was discovered on the Wanapum Dam Spillway in February. The fracture, below the water line on the upstream side of the dam, ran across the 65-foot width of one of the 13 spillway-pier monoliths. Grant PUD reduced the pressure behind the dam by lowering the Wanapum reservoir by 26 feet, then reinforced the spillway with post-tension anchors and metal rods, before raising the reservoir in December.

2014 - The Priest Rapids Fish Bypass began operations in time for the spring juvenile fish migration season.

2015 - The new Wanapum Heritage Center opened in October. Located on the ancestral grounds of the indigenous Wanapum Band of the Priest Rapids, the 50,000 square-foot facility is a key element to protecting, preserving and perpetuating the culture, traditions and identity of the Wanapum people. In December, Grant PUD opened its new visitors center near Wanapum Dam. Experience the Power of the Columbia allows visitors to see how the Columbia River has shaped Grant County.

2017 - Grant PUD launched its Advanced Metering Program that replaced approximately 50,000 meters in the county with new meters read remotely.

2018 - The construction project to renovate the Crescent Bar Recreation Area was completed. The multi-year project included a new campsite, boat launches, docks, playground, walking path and water and wastewater facilities.

2019 - Grant PUD establishes the Pay-it-Forward program in partnership with two of its large industrial customers to provide funds from energy conservation rebates totaling approximately \$500,000 toward programs that benefit Grant County residents.

2020 - Grant PUD took the extraordinary step of closing its public facilities in March to prevent the spread of COVID-19 as a pandemic was declared by health officials. In October, the final rehabbed generating unit at Wanapum Dam went online. This marked the completion of a 20-year project to modernize all of the dam's 10 turbines and generators.





Power demand and generation is measured

EVERY SECOND

of every day.

LENGTH OF THE COLUMBIA RIVER:

1,200 MILES



The Columbia River Basin touches

SEVEN STATES

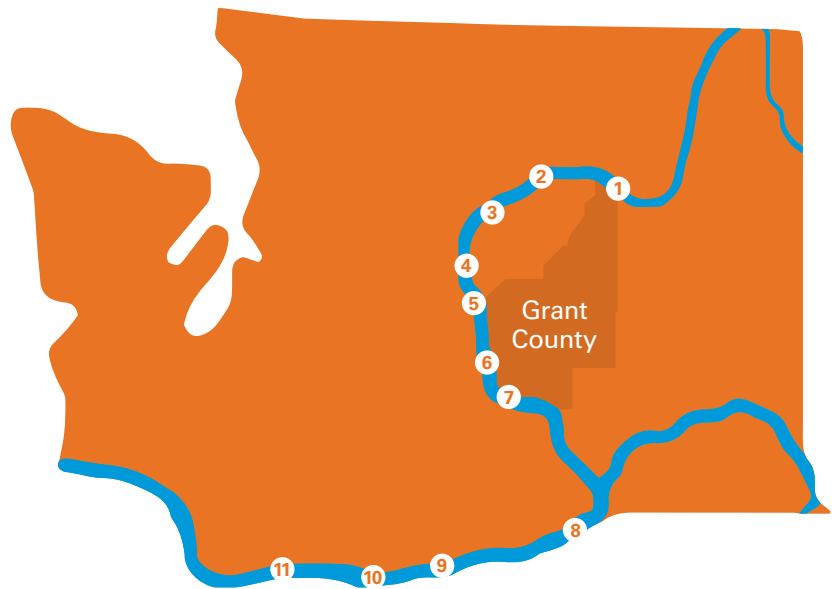
2,700^{FT}



The approximate vertical drop of the river from the headwaters of the Columbia to its final resting place in the Pacific Ocean.

Powered by the Columbia

The Columbia is a river of unmatched proportions. The 11 U.S. dams that transform the power of the Columbia's flowing water into hydropower are equally unrivaled.

Dam operators each work to reduce the water flowing over spillways as much as possible to diminish dissolved gases that could be harmful to fish, provide optimal river levels and flows for fish passage and spawning conditions, keep reservoirs full so farmers can irrigate crops, and generate power in a concerted effort to ensure that the right amount of energy is available when it is needed by millions of customers.



- 1 Grand Coulee Dam**
(River Mile 596.6)
Rated Capacity: 6,809 MW
Bureau of Reclamation
- 2 Chief Joseph Dam**
(River Mile 541.1)
Rated Capacity: 2,614 MW
Corps of Engineers
- 3 Wells Dam**
(River Mile 515.1)
Rated Capacity: 840 MW
Douglas PUD
- 4 Rocky Reach Dam**
(River Mile 473.0)
Rated Capacity: 1,300 MW
Chelan PUD
- 5 Rock Island Dam**
(River Mile 453.4)
Rated Capacity: 624 MW
Chelan PUD
- 6 Wanapum Dam**
(River Mile 415.8)
Rated Capacity: 1,221.7 MW

- 7 Priest Rapids Dam**
(River Mile 397.1)
Rated Capacity: 950 MW

- 8 McNary Dam**
(River Mile 292.0)
Rated Capacity: 980 MW
Corps of Engineers
- 9 John Day Dam**
(River Mile 215.8)
Rated Capacity: 2,480 MW
Corps of Engineers
- 10 The Dalles Dam**
(River Mile 191.5)
Rated Capacity: 2,160 MW
Corps of Engineers
- 11 Bonneville Dam**
(River Mile 145.5)
Rated Capacity: 1,227 MW
Corps of Engineers

Powered by Clean, Renewable Energy

Built more than a half a century ago, Priest Rapids and Wanapum dams are the economic engines that power Grant PUD’s ability to provide low-cost, reliable electricity to our customers. We are now investing millions of dollars to rehabilitate our turbines and generators to ensure that they will continue to be a source of clean, renewable energy in our region for decades to come.

Green – and getting greener

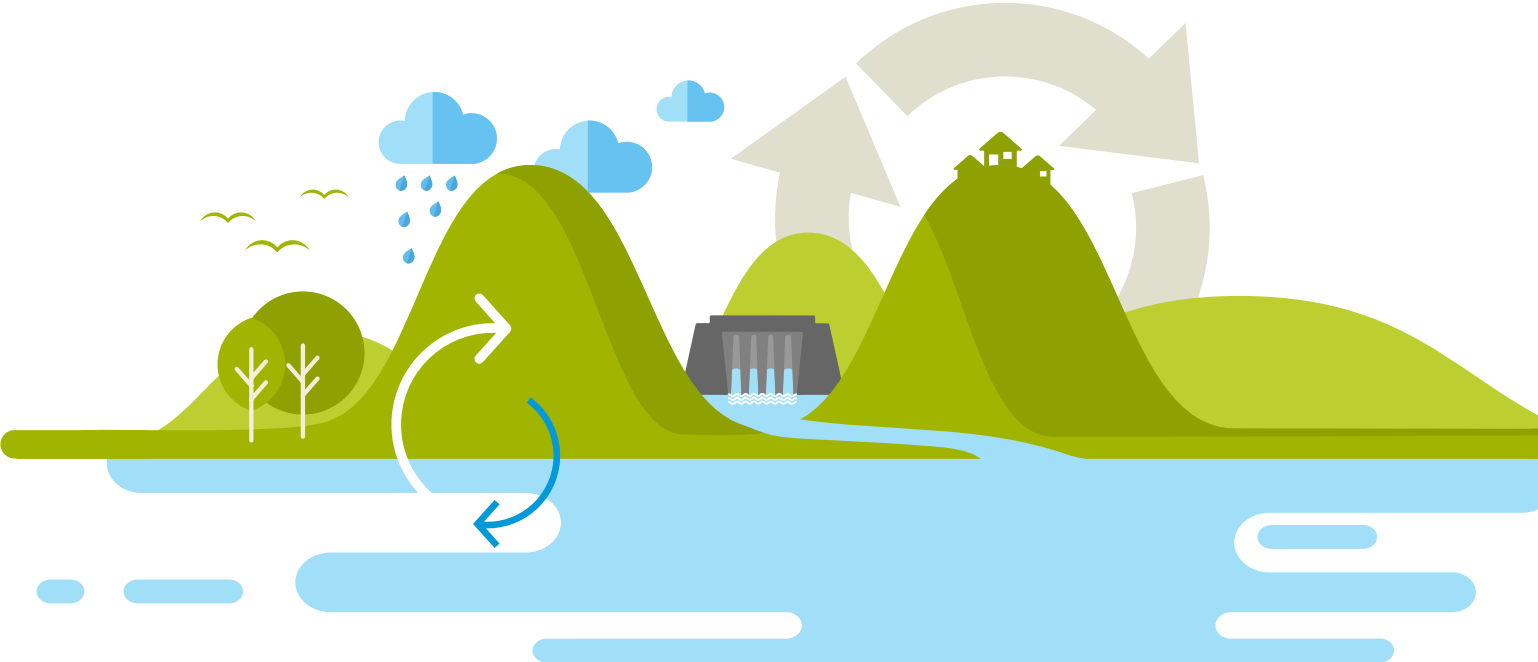
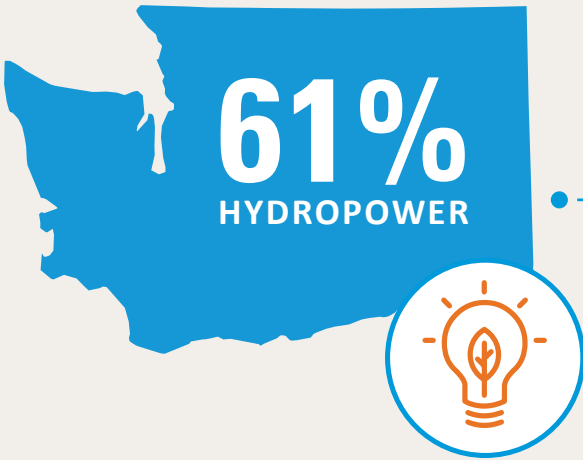
Thanks to hydropower, Washington’s energy is among the cleanest and least expensive in the nation. As we become even more green by bringing on variable energy sources, such as wind and solar, hydropower can help fill the role of being an on-demand energy provider. This ability ensures a clean, reliable and inexpensive energy for our growing region.

Keeping Washington wired

Washington is a great place to live and our state’s population continues to grow. As the population grows, so does energy consumption, especially in the more extreme winter and summer months. Luckily, hydropower enables a quick response to peak demands. In just a few seconds, hydro operators can increase or decrease power outputs to follow the need for power.

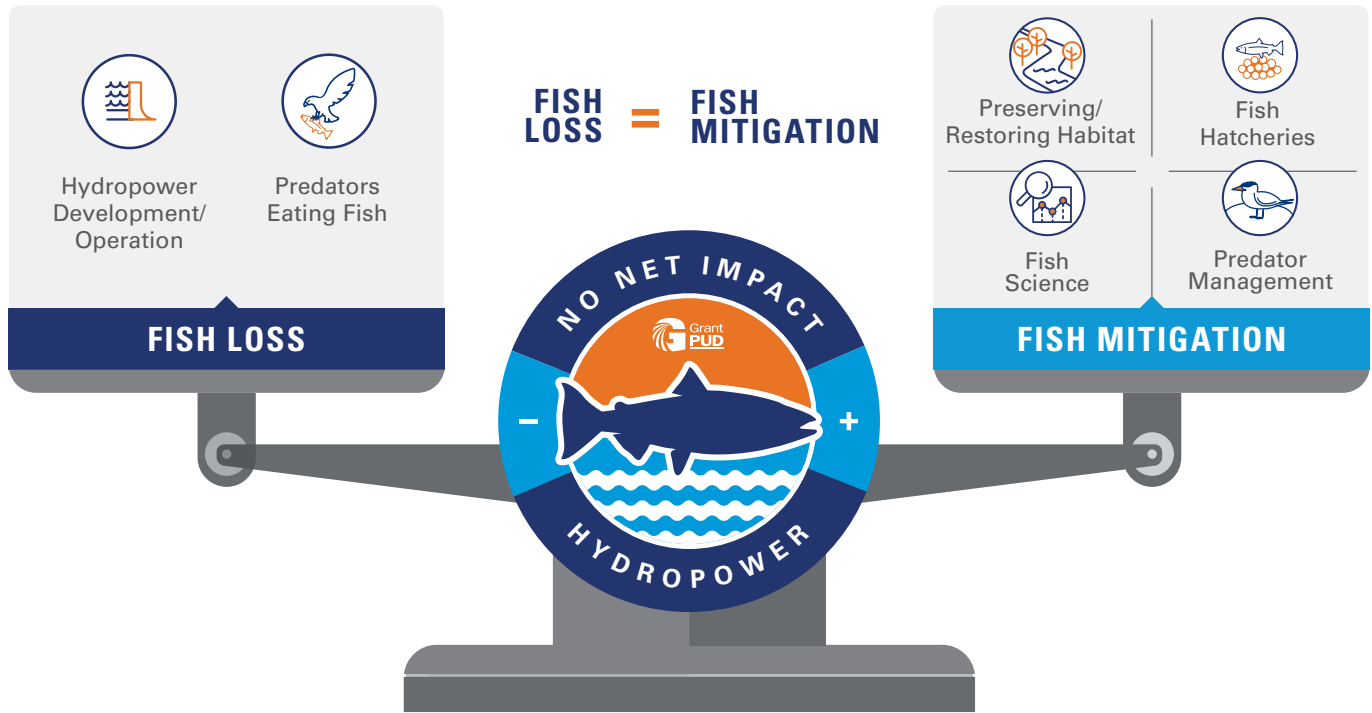
Leading Washington’s clean energy movement

Hydropower is an essential source of generation in our quest for carbon-free energy. According to the Washington Net Electricity Generation by Source (Dec. 2020), **61% comes from hydropower.**



No Net Impact Hydropower

No Net Impact (NNI), an uncommonly high standard for power producers, is a standard Grant PUD achieves to make up for the losses of salmon, steelhead and Pacific lamprey that migrate through our hydropower project.



HIGH LEVEL OF REVIEW, OVERSIGHT AND COORDINATION

Grant PUD's NNI mitigation is overseen and approved by committees with representatives from:

- | | | |
|--|---|--|
| National Oceanic and Atmospheric Administration | U.S. Fish and Wildlife Service | Washington Department of Fish and Wildlife |
| The Confederated Tribes and Bands of the Yakama Nation | The Confederated Tribes of the Colville Reservation | The Confederated Tribes of the Umatilla Indian Reservation |

GRANT PUD'S NNI FUND & HABITAT FUND CONTRIBUTIONS

The total amount of annual contributions into the NNI Fund and Habitat Fund made by Grant PUD so far (2006-2020):

\$42 MILLION

This money funds projects ranging from predator removal, adult fish passage, habitat restoration, instream flow enhancements, avian predator evaluations, land acquisitions, fish screen monitoring, and diversion assessment.

JUVENILE SALMON & STEELHEAD SURVIVAL RATES*

Studies are conducted regularly to estimate juvenile loss and are overseen and approved by the Priest Rapids Coordinating Committee.

Adult survival is nearly 100%.



Spring Chinook Salmon



Sockeye Salmon



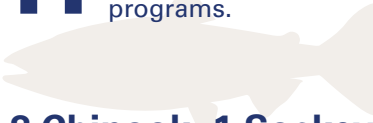
Steelhead Trout

*For both Priest Rapids and Wanapum Dams.



HATCHERY PRODUCTION

11 Grant PUD hatchery salmon and steelhead programs.



**8 Chinook, 1 Sockeye,
1 Coho, 1 Steelhead**

In 2020, Grant PUD's hatchery programs released approximately **7.7 million salmon and steelhead*** into the upper Columbia River and its tributaries. Hatchery programs are intended to aid in the restoration of salmon and steelhead listed under the Endangered Species Act, as well as mitigate for impacts to non-listed salmon. Fish produced via hatchery programs provide harvest opportunities from the Columbia River to Alaska.

*Source: Grant PUD (Public Utility District No. 2 of Grant County). 2021. Calendar Year 2020 Activities Under Priest Rapids Hydroelectric Project License FERC No. 2114, Ephrata, WA.



HABITAT PRESERVATION/RESTORATION

Most of the projects are conducted in habitats of the **Wenatchee, Entiat, Methow, and Okanogan basins** in areas that were impacted by non-hydro activities.



Funds have been used for projects such as:

- ✓ Land Acquisition and Easements
- ✓ Fish Passage
- ✓ Habitat Enhancement
- ✓ Instream Flow



FISH SCIENCE

Grant PUD generates and uses the best available science to ensure it is meeting the NNI standard.



The science allows for informed changes to improve programs.

It also contributes knowledge, tools, and approaches to scientists and resource managers throughout the world by publishing results.



OTHER MITIGATION

The clean and sustainable power we generate helps sustain climate conditions beneficial to native species.

Grant PUD also invests in a variety of other activities to avoid, reduce, monitor, and mitigate impacts to plants and animals.

These programs aim to benefit:



Sturgeon



Bull Trout



Rainbow Trout



Pacific Lamprey



Bald Eagles



Rare Plants



Powered by Education

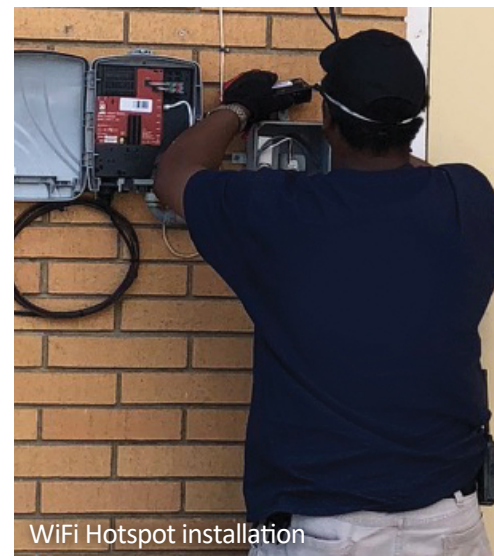
At a time when communities need internet the most for school, work and keeping in touch during the COVID-19 pandemic, we were able to partner with the Washington State Broadband Office to bring free public broadband internet access to 13 Grant County locations. To see all of the locations and read more, visit grantpud.org/blog/wifi-hotspots.

The switch to remote learning meant helping children in our community was more important than ever. In March, we enhanced our online education resources to include age-specific worksheets to go with our Wanapum Dam Tour Video. We also added coloring pages featuring Safety Superheroes Surge and Electricia featuring topics such as safety in the home and outdoors safety.

We also launched a campaign about what Grant PUD is doing to protect fish, wildlife and cultural resources. Videos included 8-year-old Matilda's reflections on her experience with our Salmon in the Classroom Program. To see more, visit the landing page at grantpud.org/salmon.

Other educational outreach highlights:

- Through Grant PUD's Pay-it-Forward program, Sabey Data Centers was able to donate 75 chromebooks to remote-learning classes.
- Grant PUD partnered with Big Bend Community College to offer Virtual Vikings STEAM classes.
- Grant PUD presented at "Career Connect@Home", a career exploration opportunity for students in Washington state. Employee speakers included a lineman, fiber coordinator, HR manager, and our community relations coordinator.



WiFi Hotspot installation

Powered by Heritage

For more than 60 years, the Wanapum and Grant PUD have worked together to protect, preserve and perpetuate the natural and cultural resources of the area. Located next to the Wanapum's ancestral village and Priest Rapids Dam, this 50,000 square-foot building is instrumental in perpetuating the importance of the culture, traditions and beliefs of the Wanapum. For more information about the Wanapum and the Wanapum Heritage Center, visit wanapum.org.



Rex Buck Jr.
Wanapum Leader



Powered by Service

A worldwide pandemic meant community outreach looked a lot different than previous years. We teamed up with our department of health to send out over 4,000 packets including masks and COVID-19 prevention information to selected customers.

Our employees celebrated Public Power Week by handing out bags of goodies outside of local grocery stores and on Halloween distributed candy, masks and stickers at the drive-by trunk-or-treat activity in Ephrata.

Annette Lovitt, the Grant PUD Community Relations Coordinator, served as the Moses Lake Chamber of Commerce President and represented the utility on Moses Lake's Resiliency and Recovery team and Comprehensive Plan and Housing Action plan team.

Eager to help their neighbors, generous Grant PUD employees continued to raise funds for the community. They donated a total of \$5,391 to our eight local food banks in 2020 and pledged \$11,080 in payroll contributions to go to United Way of Grant County in 2021. Through our Voltswalkers, employees raised an additional \$2,700 for the Columbia Basin Cancer Foundation.



Grant PUD operates

20

RECREATION SITES



Powered by Recreation

Despite being closed for 67 days due to COVID-19, Grant PUD’s campgrounds saw a record number of visitors this season. Data shows a steady increase in usage of the utility’s campgrounds and the Crescent Bar Golf Course over time.

Compared to the previous year, overall campsite use increased approximately 31% in 2020. Although the extended closure resulted in a slight reduction in the number of golfers last year compared to 2019, total usage of the course was up more than 19% in 2020 compared to 2018.

“We have had an unprecedented busy season, it really has been remarkable,” said Manager of Lands and Recreation, Shannon Lowry. Lowry added that considering the challenges of COVID-19, staff has been focused on keeping the crews and members of the public safe throughout the eventful season.

As a federally-licensed dam operator on the Columbia River, one of our main responsibilities is to provide for public access and recreation along our project lands. For a full list of all recreation sites and campsite fees visit grantpud.org/recreation.



Early COVID-19 safety protocols











Three of our campsites have the option to

BOOK ONLINE

31%

Increase in number of campers across all campsites compared to 2019.

-  Fishing
-  Camping
-  Boat Launch
-  Hiking
-  Swimming
-  Picnic Area
-  Sheltered Picnic Area
-  Hand Launch



1 Crescent Bar Recreation Area

Amenities include a 55-site reservation campground (tent/RV and vehicle/boat trailer), golf course, two boat launches, day-use and commercial marina, a floating fuel station, walking/biking trails, picnic shelters, playground, sports courts (pickleball, basketball), and multiple beach areas.



2 Rocky Coulee Recreation Area

Amenities include camping and day-use opportunities, 10 primitive first-come, first-served walk-in campsites, 14-vehicle parking area, and hand boat launch.



3 Vantage Boat Launch

Amenities include: two-lane boat launch, ADA boarding float, picnic tables, restrooms and potable water.



4 Sand Hollow Recreation Area

Amenities include camping, picnic areas, a swim beach, and 40-site reservation campgrounds. 30 of the campsites are accessible by vehicle (tent/RV and single vehicle), 10 campsites are primitive walk-in tent only sites.



5 Priest Rapids Recreation Area

Amenities include camping, boating and day-use opportunities, 14-site reservation campground (tent/RV and single vehicle), three-lane boat launch, walking/biking trails, picnic areas, and swim beach.



6 Jackson Creek Fish Camp

Amenities include camping and fishing opportunities, 10 primitive first-come, first-served campsites, and walk-in fishing access.



76%

of county residents and businesses currently enjoy access to Grant PUD Fiber.



1,791 MILES

of fiber optic cable

22,470

Current Subscribers

and

35,732

Potential Subscribers



Powered by Fiber

When Grant PUD was created in 1938, its mandate was to provide low-cost power to everyone in Grant County, whether they lived in the county's largest towns or miles away on remote farms or wilderness.

In the years following, this vision was finally realized as power service provided by our county-wide utility was extended to all. And, because of this available low-cost power, our county has seen tremendous economic growth and prosperity.

The COVID-19 pandemic in 2020 demonstrated that reliable broadband connection is nearly as essential as electricity. Which is why our commitment to building a county-wide fiber optic network is vital.

We began building our wholesale fiber network in the early part of this century. We were one of the first in Washington state to provide fiber service to the home. Now we have fiber available to 76% of our customers in the county and we have plans to extend fiber throughout the county.

We believe that providing the fiber backbone that connects our homes, farms, businesses and public services to the tools needed to function in our technology-based reality honors the legacy of our public power pioneers. We are excited to see how our fiber expansion initiative will help our county prosper in the decades to come.

2020 Construction

Completed or near completion

- Ephrata City Limits/Rocky Ford
- Electric City: Steamboat Rock to Osborn Bay
- Cave B to Beverly Burke/2 SW to 2 NW
- Ephrata: South Ephrata Substation
- Rd. 9 NW and Hwy. 283
- Gloyd to Stratford



Fiber Expansion Sequence

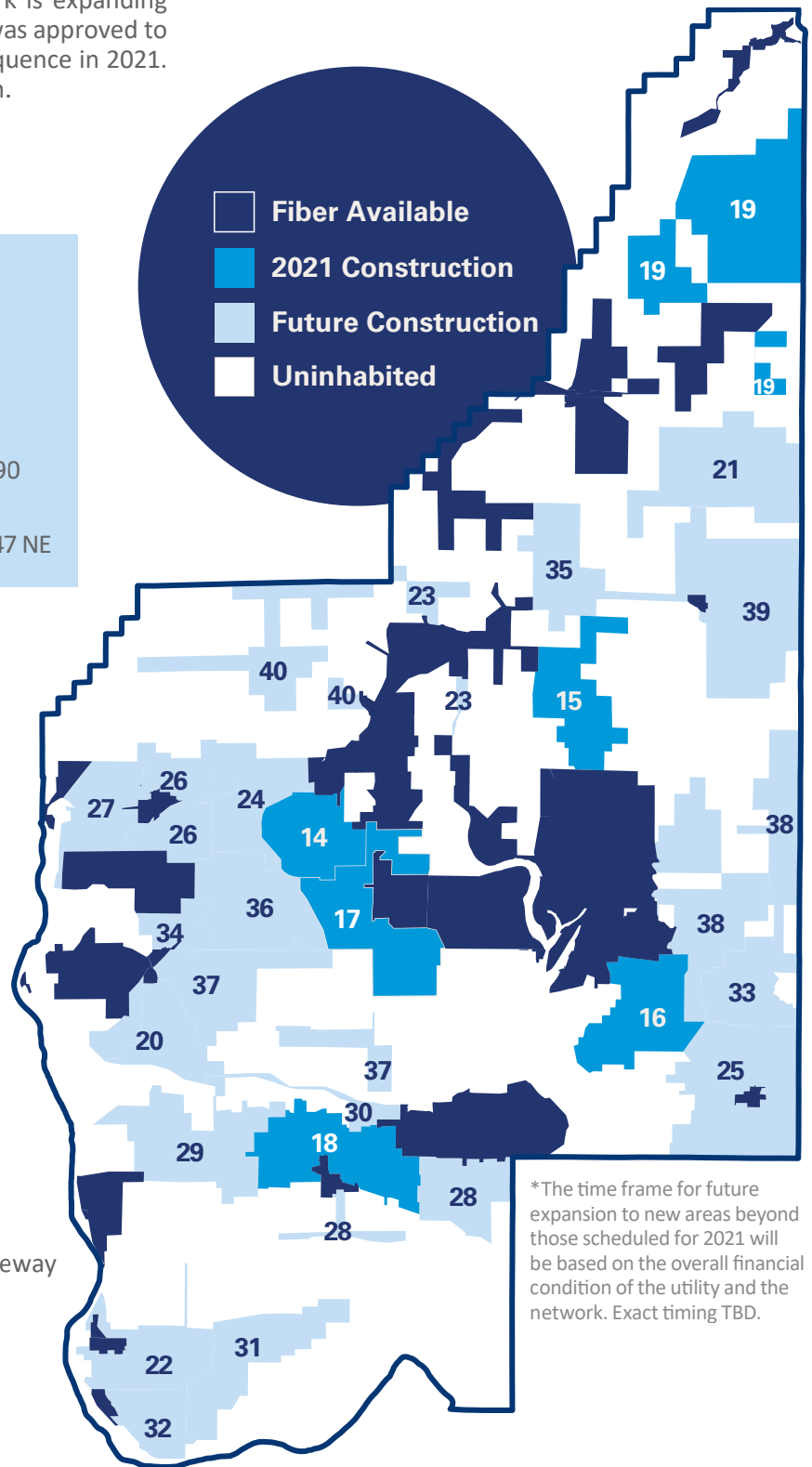
Grant PUD's high-speed fiber optic network is expanding throughout Grant County. In 2020 funding was approved to reach the next six areas of the build out sequence in 2021. Those areas will soon be under construction.

1-13 Completed or near-completion

2021 AREAS

- 14 Rd 9 NW and Hwy 283
- 15 Gloyd to Stratford
- 16 Perch Point/Wilbur Ellis to I-90
- 17 Dodson to Winchester Wasteway N I90
- 18 Royal City Surrounding Area
- 19 Complete Hartline Area/Rd V NE at Rd 47 NE

- 20 George Area Completion
- 21 Between Hartline and Wilson Creek
- 22 Mattawa Surrounding Area
- 23 Soap Lake: SE to fish hatchery and N to Lake Lenore
- 24 Winchester
- 25 Warden Area Completion
- 26 North, East and South of Quincy
- 27 NW and SW of Quincy
- 28 Rd A SE/Smyrna/Crab Creek
- 29 Jericho
- 30 Dodson Frenchman
- 31 Wahluke Area East of Mattawa
- 32 Desert Aire to Rd O SW
- 33 I90 Rd U NE/SE
- 34 Hwy 281 N. of I90 to Rd 3
- 35 Stratford/Summer Falls/Billy Clapp
- 36 Adams Road NW to Winchester Wasteway N. of I90 to Rd. 7
- 37 Braden to George and Black Sands
- 38 Ruff
- 39 Wilson Creek Area
- 40 Sagebrush Flats/Johnson Rd. NW



*The time frame for future expansion to new areas beyond those scheduled for 2021 will be based on the overall financial condition of the utility and the network. Exact timing TBD.

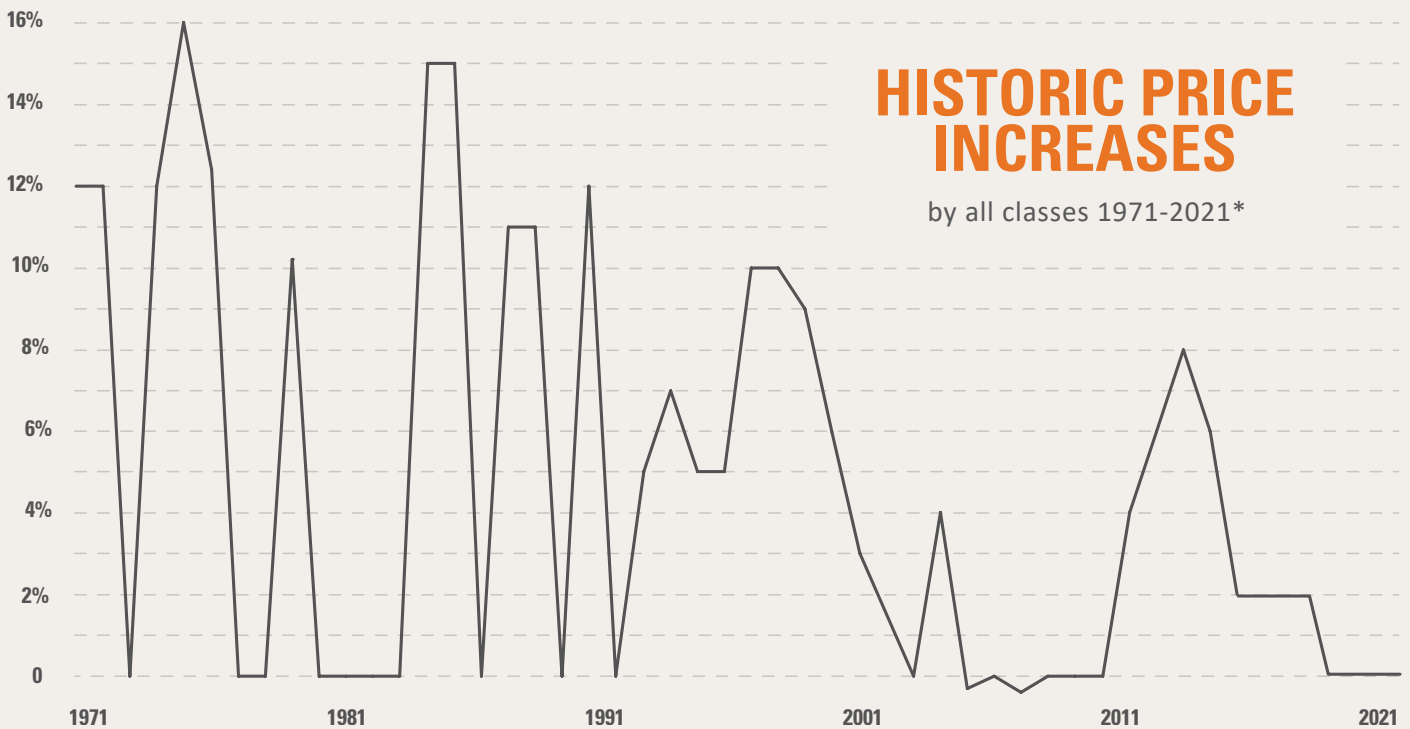
Finances

Grant County enjoys some of the lowest power prices in the nation. We have been able to maintain low power prices for our customers because we have always endeavored to make sound financial decisions with a long-term benefit.

We strive daily to make decisions to balance the investments we are making for the future, while also providing for the needs of the present. We believe the

key to maintaining our high-quality, low-cost power service is by making decisions that will bring the greatest value to our customers.

Our strategy of implementing small, incremental retail price increases during most of the past decade, has helped us to reach the point where we have not needed price increases for the vast majority of our customers in 2019 and 2020.



*No rate increase for 2020, excluding new rate for Evolving Industries

ENERGY COSTS

How Do We Compare?

Residential Average Electricity Rates in October 2020

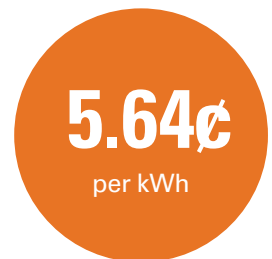
*Source: U.S. Energy Information Administration October 2020 report



UNITED STATES



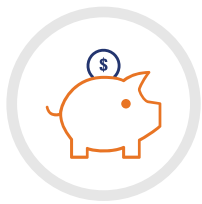
WASHINGTON



GRANT PUD

2020 Financial Targets

Grant PUD uses a number of metrics to measure our goal of providing value to our customers. The selected metrics below help to show our financial strength.



Maintain a Strong Financial Position

	2020 Target	Actual	Final Goal
Electric System Liquidity	≥ \$105 MM	\$174 MM	≥ \$105 MM
Consolidated Return on Net Assets	≥ 4.0%	4.3%	≥ 4.0%
Consolidated Debt To Plant Ratio	≤ 60%	55%	≤ 60%
Consolidated Debt Service Coverage	≥ 1.80x	2.41x	≥ 1.80x



Provide Long-Term Low Rates

	2020 Target	Actual	Final Goal
Retail Operating Ratio - Adjusted	≤ 112%	101%	< 100%
District Credit Rating	≥ Aa3 (Moody's equivalent)	Aa3	Aa3

Our Bond Ratings

Grant PUD's financial health is measured in part by its bond ratings. Our latest ratings are below:

PRIEST RAPIDS HYDROELECTRIC PROJECT

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa3	STABLE
Standard & Poor's Rating Services	AA	STABLE

ELECTRIC SYSTEM

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa3	STABLE
Standard & Poor's Rating Services	AA+	STABLE

Report of Independent Auditors

The Board of Commissioners
Public Utility District No. 2 of Grant County, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Utility District No. 2 of Grant County, Washington (the District), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability, schedule of the District's contributions, and the schedule of changes in the total OPEB liability and related ratios (collectively, "required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Seattle, Washington
April 26, 2021

OVERVIEW OF GRANT PUD'S FINANCIAL STATEMENTS

As of December 31, 2020, Public Utility District No. 2 of Grant County, Washington ("Grant PUD" or "the utility") is comprised of two operating systems: the Electric System and the Priest Rapids Project. The Priest Rapids Project is operated under Federal Energy Regulatory Commission ("FERC") License, Project No. 2114 authorizing both the Priest Rapids Hydroelectric Production Development ("Priest Rapids") and Wanapum Hydroelectric Production Development ("Wanapum") to operate through April of 2052 as long as license requirements continue to be met. Priest Rapids consists of a dam and hydroelectric generating station with a nameplate rating of 950 megaWatts ("MW") and Wanapum consists of a dam and hydroelectric generating station with a nameplate rating of 1,222 MW. Priest Rapids is located on the Columbia River in Grant and Yakima Counties about 150 air miles northeast of the City of Portland, 130 air miles southeast of the City of Seattle, and 18 miles downstream of Wanapum, which spans Grant and Kittitas Counties. The Electric System maintains 4,388 transmission and distribution line miles and other related infrastructure to serve retail load in Grant County.

This annual financial report consists of a series of financial statements and reflects the self-supporting, proprietary activities of Grant PUD funded primarily by the sale of electrical power. Grant PUD reports the business-type activities in a manner similar to private business enterprises. Grant PUD's financial statements presented in this report consist of the Statements of Net Position, Statements of Revenues and Expenses and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements.

The Statements of Net Position include all of Grant PUD's assets, liabilities, deferred outflows and inflows, and net position and provide information about the nature and amounts of investments in assets and the obligations of Grant PUD.

All of the revenues and expenses of Grant PUD are accounted for in the Statements of Revenues and Expenses and Changes in Net Position. These statements measure the success of operations over the year and can be used to determine whether Grant PUD has successfully recovered all of its costs through retail revenues and other charges.

The primary purpose of the Statements of Cash Flows is to provide information about Grant PUD's cash receipts and cash disbursements during the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the information provided in the three statements described above.

FINANCIAL HIGHLIGHTS

The following discussion provides an overview of the financial activities for Grant PUD for the years ended December 31, 2020, 2019, and 2018. This discussion and analysis is designed to be used in conjunction with the financial statements, notes and other supplementary information, which follow this section.

Grant PUD produced a positive change in net financial position of \$93.6 million, \$86.3 million, and \$89.9 million during 2020, 2019, and 2018, respectively. Grant PUD continued to meet its financial targets and make the necessary investments in infrastructure, technology and employees to make sure that customers will continue to receive reliable power at long term low prices. Additionally, the Commission approved the continued build out of the wholesale fiber network, which will provide connectivity to residents and businesses throughout the county that is critical to remaining competitive and keeping pace with the Information Age.

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2020 and 2019

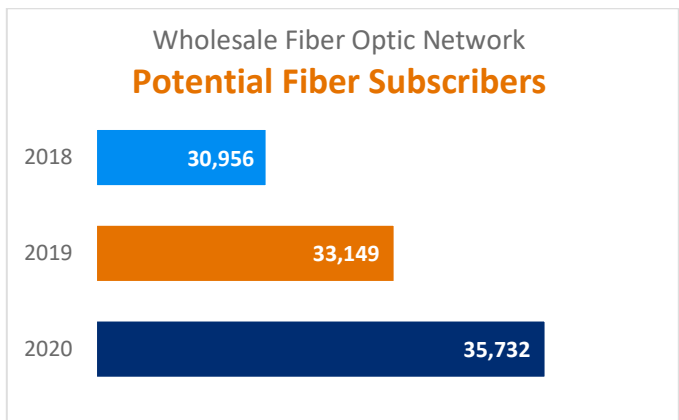
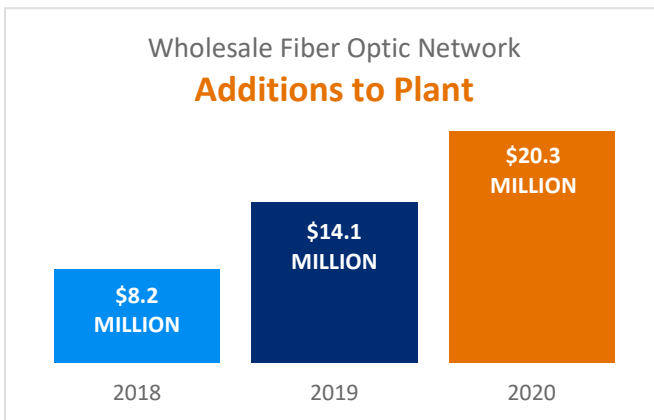
In April of 2018, the Commission implemented 2.0% average annual price increases to retail customers. There was no increase in 2019 or 2020.

Electric System Significant Capital Projects: Grant PUD is undertaking capital improvements to improve electric system reliability and serve expected load growth primarily in the large commercial and industrial customer classes. These improvements include upgrading and expanding transmission and distribution infrastructure. An expansion project called Design Build 2 (DB2) started in December 2019 and is estimated to be completed in June of 2022. This project will ultimately deliver nine full or partial substations and one transmission line. Total costs to date for the project are \$16.8 million.

Grant PUD is in the early stages of due diligence on a 230-kV transmission expansion project, which is expected to significantly increase overall system reliability and Grant PUD’s ability to serve additional load in the Quincy area. The current timeline calls for the transmission expansion project to be completed in 2026.

Grant PUD completed the installation and migration to smart meters at a cost of \$19.7 million in September, 2020. The Advanced Metering Infrastructure (AMI) project included digital meters, communication networks and software required to enable communication between the meters and Grant PUD’s billing system.

Grant PUD continued to expand its Wholesale Fiber Optic Network in 2020, 2019, and 2018. The Wholesale Fiber Optic Network expansion resulted in additions to plant totaling \$20.3 million, \$14.1 million, and \$8.2 million for years ended December 31, 2020, 2019, and 2018, respectively. Grant PUD experienced unprecedented demand for new connections to our fiber premises network in 2020. Grant PUD is committed to expanding the wholesale fiber optic network to all people of Grant County and has budgeted for an additional \$16.4 million to fund design and construction services for the 2021 buildout.



The Priest Rapids Project Significant Capital Projects: Grant PUD has continued its long-term capital improvement plan at the Wanapum Development to upgrade all ten turbines, generators, and control systems. The ten turbines were upgraded at an average cost of approximately \$22.8 million per turbine, with the last one placed in service in October 2013. The new turbines have increased power output and efficiency and have improved water quality and fish passage within the Wanapum Development’s project area. On-site construction for the generators and controls systems began in June 2010 and the tenth unit was returned to service on September 1, 2020. The existing generators were rated at 103.8 MW. The new upgraded generators have a nameplate rating of 122.17 MW, an increase of 17.7%. As of December 31, 2020, all ten generators and control systems have been replaced at a total cost of \$256.0 million (average of \$25.6 million per generator).

In August of 2016, on-site construction began for the turbine life extension and generator rewind work at the Priest Rapids Dam Development and the first of ten turbines and generators were placed in service in January

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2020 and 2019

2018. Work began on the second unit (turbine and generator) in February 2018 and was commissioned in April 2019. Work began on the third unit (turbine and generator) in February 2019 and was commissioned in November 2020. Work is underway on the fourth unit (turbine and generator), and is scheduled to return to service April 2022. An outage is expected to take approximately 14 months from the date the unit is removed from service to the time the unit returns to service. Total cost to date of \$198.9 million includes control system upgrade costs, the turbine modeling and hydraulic design work and other preliminary costs for all units, completion of the first three units and costs for the fourth-unit upgrade currently in progress.

As part of the Federal Energy Regulatory Commission (FERC) license to operate the Priest Rapids Project, Grant PUD has invested \$41.5 million in required improvements to the Crescent Bar Recreation Area to enhance public access and recreation opportunities. A new 55-site RV campground, marina, fuel float, boat launch, parking area, walking trail, and day use area including playground equipment and sports courts, were completed in spring of 2018. A second boat launch and parking area were completed in spring of 2018 and upgrades to the water and wastewater systems were completed in early 2019. An office building for the golf course was completed in 2020.

Financial Ratings: Grant PUD maintains very high credit ratings, which are issued separately for the Electric System and the Priest Rapids Project and are as follows (Electric System/Priest Rapids Project): Fitch Rating Services AA/AA, Standard and Poor’s Rating Services AA+/AA, and Moody’s Investor Services Aa3/Aa3. The Electric System Ratings were published in August of 2020 (Fitch and S&P) and December 2019 (Moody’s), and the Priest Rapids Project ratings were updated in March of 2020 for all three agencies (refer to Note 5).

FINANCIAL RATINGS			
Credit grade	MOODY’S	FITCH	S&P
HIGHEST	Aaa	AAA	AAA
VERY HIGH	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
HIGH	A1, A2, A3	A+, A, A-	A+, A, A-
GOOD	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BB-	BBB+, BBB, BB-
SPECULATIVE	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-
VERY SPECULATIVE	B1, B2, B3	B+, B, B-	B+, B, B-
SUBSTANTIAL RISK	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D

These very high-grade credit ratings allow Grant PUD to acquire funding for capital investments at competitive interest rates. This reduces pressure on production costs at the Priest Rapids Project, which remains a very low-cost carbon free resource, and ultimately helps keep the Electric System’s retail prices among the lowest in the nation.

During 2020, Grant PUD issued \$517.4 million of refunding revenue bonds to defease and refinance outstanding debt. The result of the refundings was a reduction in the average coupon rate from 4.79% to 4.42% and a net present value savings of \$29.2 million.

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2020 and 2019

Priest Rapids Project Generation: During the years ended December 31, 2020, 2019, and 2018, the Priest Rapids Project provided the following net megawatt hours (“MWh”) of electric energy at an average cost as follows:

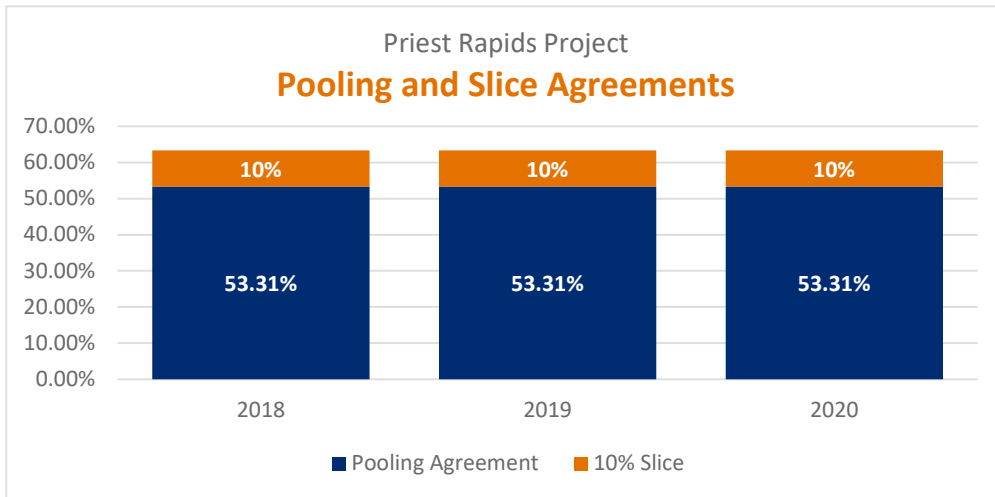
	2020		2019		2018
Net Megawatt hours ("MWh")	9,463,889		8,277,762		9,258,927
Average Cost (per "MWh")	\$ 18.02	\$	20.68	\$	18.13
Average Water Supply*	104%		84%		113%

*Average water supply is based on Rock Island Dam water supply compared to a 30-year average (October through September). The timing of runoff and spill requirements factor into the water available for generation from year to year.

The Electric System’s energy risk management strategy capitalizes on the low cost of production of the Priest Rapids Project (PRP), without retaining an imprudent amount of water or price volatility risks as defined by our risk policies. Grant PUD enters into wholesale contracts that aim to increase the predictability of net wholesale revenues by mitigating the effect of fluctuation of wholesale power prices and water variability for generation, which directly contributes to Grant PUD’s objective to maintain a strong financial position and have predictable retail prices well into the future.

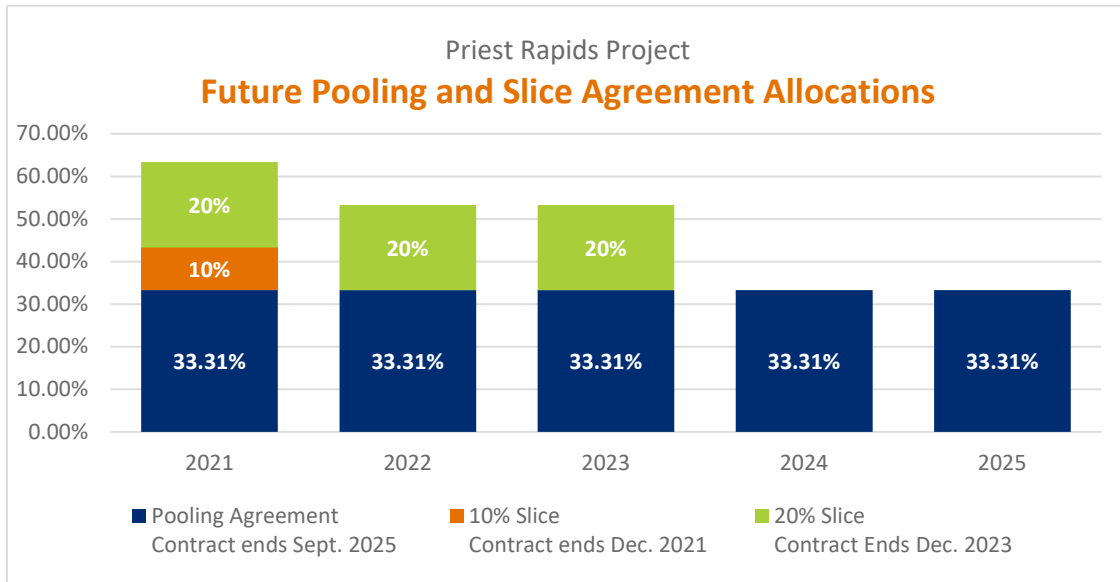
Priest Rapids Project Output: As a strategy to hedge against water risks, Grant PUD has entered into various wholesale “slice” and pooling agreements to sell capacity and energy from its retained 63.3% share of the Priest Rapids Project output, resulting in predictable revenue and rate stability.

For the years ended December 31, 2020, 2019 and 2018, Grant PUD’s 63.3% retained share of the Priest Rapids Project output was allocated to pooling and slice agreements as follows:



Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2020 and 2019

Future pooling and slice agreement allocations are in place as follows:



Slice Agreements: The slice agreements sell capacity and energy to buyers who assume the associated water and wholesale price risks. Grant PUD obtains stable revenue from these sales. The slice agreements are paid in equal monthly installments over the term of each agreement and include firm energy purchases from each entity to help meet Grant’s load. Grant PUD regularly monitors its exposure and retains the right to call for additional assurances at any time. Grant PUD has the right to curtail delivery in the event of nonpayment or non-delivery of firm energy.

Pooling Agreements: As noted above, pooling agreements greatly reduce the effect that variable water conditions at the Priest Rapids Project and fluctuations in wholesale power prices have on revenues associated with Grant PUD’s wholesale sales and purchases. Grant PUD’s first pooling agreement expired September 30, 2020 and a new pooling agreement was entered into with a five year term beginning October 1, 2020 and ending September 30, 2025. Under a pooling agreement, the counterparty receives rights to the actual output of a portion of the Priest Rapids Project, which will vary with water conditions. In return, the counterparty provides firm power to meet Grant PUD’s load, regardless of the actual output of the Priest Rapids Project, and certain scheduling services. Over the life of the agreement, the majority of these values will be offsetting and exchanged without cash payment; there will, however, be monthly payments owed by either the counterparty or Grant PUD due to the seasonal differences between capacity and energy amounts and loads. These payments are presented as a net sale or purchase. In addition, certain non-hydrological performance metrics are assumed at the beginning of the contract and monthly differences in these metrics are trued up and payment made by either the counterparty or Grant PUD. The amount of monthly payments over the term vary based upon actual performance versus the estimates at the time the pooling agreement was executed.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2020 and 2019

CONDENSED COMPARATIVE FINANCIAL INFORMATION
(amounts in thousands)

Condensed Statements of Net Position	2020	2019	2018
Assets			
Current	\$ 233,689	\$ 292,455	\$ 311,863
Utility plant, net	2,195,405	2,171,380	2,097,261
Noncurrent	299,095	322,789	287,558
Total assets	<u>2,728,189</u>	<u>2,786,624</u>	<u>2,696,682</u>
Total deferred outflows of resources	<u>44,517</u>	<u>12,200</u>	<u>10,127</u>
Total assets and deferred outflows of resources	<u>2,772,706</u>	<u>2,798,824</u>	<u>2,706,809</u>
Liabilities			
Current	192,997	201,050	138,751
Noncurrent	1,232,352	1,337,074	1,394,632
Total liabilities	<u>1,425,349</u>	<u>1,538,124</u>	<u>1,533,383</u>
Total deferred inflows of resources	<u>7,752</u>	<u>14,702</u>	<u>13,693</u>
Total liabilities and deferred inflows of resources	<u>1,433,101</u>	<u>1,552,826</u>	<u>1,547,076</u>
Net position			
Net investment in capital assets	981,009	868,132	749,689
Restricted	307,194	320,507	303,885
Unrestricted	<u>51,402</u>	<u>57,359</u>	<u>106,159</u>
Total net position	<u>1,339,605</u>	<u>1,245,998</u>	<u>1,159,733</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,772,706</u>	<u>\$ 2,798,824</u>	<u>\$ 2,706,809</u>
Condensed Statement of Revenues and Expenses and Changes in Net Position	2020	2019	2018
Operating revenues			
Retail energy sales	\$ 209,777	\$ 209,896	\$ 201,391
Wholesale revenues, net	81,974	69,381	67,186
Sales to power purchasers at cost	27,908	29,934	31,610
Other	12,385	11,963	11,083
Total operating revenues	<u>332,044</u>	<u>321,174</u>	<u>311,270</u>
Operating Expenses			
Depreciation and amortization	78,677	76,050	73,234
Other operating expenses	<u>152,392</u>	<u>144,294</u>	<u>129,473</u>
Total operating expenses	<u>231,069</u>	<u>220,344</u>	<u>202,707</u>
Net Operating Income	<u>100,975</u>	<u>100,830</u>	<u>108,563</u>
Other revenues (expenses)	(21,325)	(23,076)	(31,196)
Contributions in aid of construction	<u>13,957</u>	<u>8,511</u>	<u>12,485</u>
Change in net position	<u>\$ 93,607</u>	<u>\$ 86,265</u>	<u>\$ 89,852</u>
Total net position - beginning of year	<u>\$ 1,245,998</u>	<u>\$ 1,159,733</u>	<u>\$ 1,069,881</u>
Total net position - end of year	<u>\$ 1,339,605</u>	<u>\$ 1,245,998</u>	<u>\$ 1,159,733</u>

FINANCIAL ANALYSIS

The following discussion provides comparative financial information for the years ended December 31, 2020, 2019, and 2018.

ASSETS AND DEFERRED OUTFLOWS

Total assets and deferred outflows decreased by \$26.1 million (1%) from 2019 to 2020 and increased \$92.0 million (3%) from 2018 to 2019. The decrease from 2019 to 2020 was primarily driven by the use of cash and investments to defease debt, offset by increases in Utility plant, net and Deferred outflows of resources. The increase from 2018 to 2019 was driven by the continued investments in the turbines and generators at Wanapum and Priest Rapids, and other capital improvements in both systems, which increases Utility plant, net. The capital investments in 2020 and 2019 align with Grant PUD's Strategic Plan objectives, which include reliably delivering power at long term low prices to customers.

Deferred outflows of resources related to losses on refundings were \$33.9 million, \$3.5 million and \$4.4 million as of December 31, 2020, 2019 and 2018 respectively. The increase of \$30.4 million from 2019 to 2020 was driven by increased unamortized losses, due to debt refundings and defeasances that occurred in 2020. The increase in losses on refundings will be amortized over an average of 25 years. Deferred outflows of resources related to pensions were \$8.3 million, \$6.4 million and \$5.8 million as of December 31, 2020, 2019 and 2018, respectively. Deferred outflows of resources related to pensions fluctuate due to Grant PUD recording its proportionate share of the increase or decrease in collective deferred outflows each year for the PERS plans as provided by the Department of Retirement Systems, partially offset by associated amortization.

LIABILITIES AND DEFERRED INFLOWS

Total liabilities and deferred inflows decreased by \$119.7 million (7.7%) from 2019 to 2020 and increased by \$5.7 million (0.4%) from 2018 to 2019. During 2020, Grant PUD defeased and refinanced several bonds in order to reduce interest rates on outstanding debt. The debt transactions, along with regularly scheduled payments resulted in a decrease of \$87.8 million in outstanding debt and \$6.3 million of accrued bond interest from 2019 to 2020. The remainder of the decrease from 2019 to 2020 is primarily a \$20.6 million decrease in Licensing Obligations driven by Grant PUD's assertion that all No-Net-Impact requirements have been satisfied. The increase from 2018 to 2019 was driven by a \$11.2 million increase in trade accounting payable, a \$7.2 million decrease in Customer Deposits, and a \$26.3 million increase in noncurrent Licensing Obligations which was a result of a prospective change in estimate. Grant PUD's annual Licensing Obligation payments for 2020, 2019, and 2018 were approximately \$2 million each year. Grant PUD had approximately \$1.2 billion in bonded debt outstanding as of the year ended December 31, 2020 and \$1.3 billion as of the year ended December 31, 2019 and 2018 respectively.

Management's Discussion and Analysis (Unaudited) Years ended December 31, 2020 and 2019

Deferred inflows of resources related to pensions were \$7.8 million, \$14.7 million and \$13.7 million as of December 31, 2020, 2019, and 2018, respectively. Fluctuations occur from year to year due to the District's proportionate share of changes in pension plan actuarial assumptions. The decrease of \$6.9 million (46.9%) in deferred inflows from 2019 to 2020 is attributed to changes in the pension plans projected and actual investment earnings and changes of assumptions. The increase from 2018 to 2019 was attributed to changes in the pension plans projected and actual investment earnings, partially offset by the decrease in the utility's proportionate share in of the PERS net pension liability and changes of actuarial assumptions. Remaining amounts are amortized over future periods.

NET POSITION

Total net position was \$1.3 billion, \$1.2 billion, and \$1.2 billion as of December 31, 2020, 2019, and 2018, respectively. These increases have been driven by the positive changes in net position resulting from increased net wholesale revenues and contributions in aid of construction, partially offset by increasing operating expenses. Refer to 'Statement of Revenues and Expenses and Changes in Net Position' section below for further analysis.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

Operating Revenues: Total operating revenues increased by \$10.9 million (3.4%) from 2019 to 2020 and \$9.9 million (3.2%) from 2018 to 2019, which was the net result of several items discussed below:

Retail energy sales were \$209.8 million, \$209.9 million, and \$201.4 million in 2020, 2019 and 2018, respectively. Retail energy sales remained stable from 2019 to 2020, with a slight decrease of \$0.1 million due to reduced loads of commercial and industrial customers and mild winter weather. The increase of 4.2% from 2018 to 2019 was primarily driven by continued load growth of the utility's largest commercial and industrial customers.

Wholesale revenues, net, were \$82.0 million, \$69.4 million and \$67.2 million in 2020, 2019 and 2018, respectively. These revenues are reflective of the individual ebbs and flows of power consumption, market forces on wholesale power prices and the timing and terms of various agreements the utility has in place. The \$12.6 million increase from 2019 to 2020 was largely driven by an \$11.2 million increase in proceeds Grant PUD receives on an annual basis in accordance with long-term power sales contracts for Grant PUD load that is above the reserve 63.3% physical share of the Priest Rapids Project. All other wholesale transactions including the pooling agreements and slice agreements resulted in a net increase of \$1.4 million compared to 2019. Total net payments received by Grant PUD under the pooling agreements were \$21.6 million, \$1.9 million, and \$12.9 million in 2020, 2019, and 2018, respectively. The \$19.7 million increase from 2019 to 2020 was driven by a \$14.3 million increase in payments to Grant PUD based on the fixed payment schedules entered into at the onset of the agreements and an \$8.4 million increase in the load true-up metric; partially offset by a \$3 million decrease in the other non-hydrological true-up metrics. The increase in the load true-up metric was due to Grant PUD experiencing retail load growth below previously forecasted levels.

Sales to power purchasers at cost were \$27.9 million, \$29.9 million, and \$31.6 million in 2020, 2019 and 2018, respectively. These revenues are directly tied to power costs as defined in the long-term power sales contracts and the proportion of the power costs that the power purchasers are responsible for per the contracts. Total contractual power costs were \$170.5 million, \$171.2 million and \$167.0 million in 2020, 2019 and 2018, respectively. The percentage of these costs covered by power purchasers continued to decrease (16.4%, 17.5% and 18.9% in 2020, 2019 and 2018, respectively) which, drove the relative decrease in revenues versus total power costs.

Management's Discussion and Analysis (Unaudited) Years ended December 31, 2020 and 2019

Wholesale fiber optic network sales were \$10.67 million, \$9.43 million and \$8.26 million in 2020, 2019 and 2018, respectively. These increases of \$1.2 million (13.2%) from 2019 to 2020 and \$1.2 million (14.2%) from 2018 to 2019 are primarily driven by the substantially improved take rate (percentage of system subscribed versus unsubscribed), continued build out of the network and moderate price increases on a number of service offerings that were effective in 2018.

Operating Expenses: Total operating expenses increased by \$10.7 million (4.9%) from 2019 to 2020 and \$17.6 million (8.7%) from 2018 to 2019, which was the net result of several items discussed below:

Depreciation and amortization expense was \$78.7 million, \$76.0 million, and \$73.2 million in 2020, 2019 and 2018, respectively. These increases are consistent with the investment in utility plant, net and are affected by the timing of major units at the Priest Rapids Project being placed in service (three units were commissioned over a three year period in January 2018, March 2019 and November 2020).

Other operating expenses were \$152.4 million, \$144.3 million, and \$129.5 million in 2020, 2019, and 2018, respectively. The increase of \$8.1 million (5.6%) from 2019 to 2020 was largely attributed to an increase in labor of \$10.2 million driven by a 3% increase in FTR's, wage increases and \$3.4 million less labor supporting capital projects compared to the prior year. The increase in labor was partially offset by decreases in other miscellaneous operating activities. The increase of \$17.6 million (8.7%) from 2018 to 2019 was largely driven by the \$11.7 million (86.2%) increase in distribution expenses and \$6.0 million (19.2%) increase in generation expense.

Other Revenues and Expenses:

Total other revenue and expenses were \$21.3 million, \$23.1 million and \$31.2 million in 2020, 2019 and 2018, respectively. The \$1.8 million (7.6%) decrease from 2019 to 2020 was largely due to defeased and refinanced debt, which resulted in a decrease in interest expense of \$15.2 million (25.6%), offset by an increase of \$7.9 million in amortization of debt related costs, and an increase in debt issuance costs of \$2.8 million. The \$8.1 million (26.0%) decrease from 2018 to 2019 was largely due to the unrealized gain/loss on investments; 2018 had a \$3.0 million loss and 2019 had a \$5.2 million gain.

Contributions in aid of construction ("CIACs") revenues were \$14.0 million, \$8.5 million, and \$12.5 million in 2020, 2019, and 2018, respectively. These revenues are earned as Grant PUD completes infrastructure requests funded by customers. Variability in numbers correlate with ongoing capital projects.

CONTACTING GRANT PUD'S FINANCIAL MANAGEMENT

This report is designed to provide Grant PUD's customers, bondholders, creditors, and other interested parties with a general overview of Grant PUD's finances. For questions regarding this report or additional information, please contact Grant PUD's Chief Financial Officer, Jeff Bishop, at Jbishop@gcpud.org, or at the Public Utility District No. 2 of Grant County, P.O. Box 878, Ephrata, Washington 98823.

Statements of Net Position

December 31, 2020 and 2019

(amounts in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
CURRENT ASSETS		
Cash	\$ 5,371	\$ 42
Investments	80,278	103,499
Restricted funds		
Cash	732	1,108
Investments	89,294	142,731
Customer accounts receivable, net	31,420	25,851
Materials and supplies	19,091	17,438
Due from power purchasers	33	-
Other current assets	7,470	1,786
Total current assets	<u>233,689</u>	<u>292,455</u>
NONCURRENT ASSETS		
Investments	4,566	13,087
Restricted funds		
Cash	2,330	505
Investments	287,781	304,505
Conservation loans	303	397
Demand-side management	-	211
Preliminary survey costs	4,115	4,084
Total noncurrent assets	<u>299,095</u>	<u>322,789</u>
Utility plant, net	<u>2,195,405</u>	<u>2,171,380</u>
Total noncurrent assets	<u>2,494,500</u>	<u>2,494,169</u>
TOTAL ASSETS	<u>2,728,189</u>	<u>2,786,624</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	8,268	6,409
Deferred outflows of resources - OPEB	2,368	2,291
Deferred outflows of resources - losses on refundings	33,881	3,500
Total deferred outflows	<u>44,517</u>	<u>12,200</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,772,706</u>	<u>\$ 2,798,824</u>

The accompanying notes are an integral part of these financial statements.

Statements of Net Position

December 31, 2020 and 2019

(amounts in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts payable		
Trade	\$ 36,339	\$ 33,936
Wages payable	13,556	14,591
Due to Power purchasers	-	1,703
Accrued taxes	7,821	7,513
Customer deposits	5,556	6,553
Accrued bond interest	22,488	28,745
Unearned revenue	9,792	9,537
Habitat liability	16,325	15,508
Other current liabilities	40	40
Current portion of licensing obligations	1,785	2,344
Current portion of long-term debt	79,295	80,580
	<u>192,997</u>	<u>201,050</u>
NONCURRENT LIABILITIES		
Long-term debt, less current portion	1,134,536	1,221,069
Licensing obligations, less current portion	53,015	73,072
Net pension liability	25,727	24,837
Other postemployment benefits	10,364	9,705
Long-term unearned revenue	8,710	8,391
	<u>1,232,352</u>	<u>1,337,074</u>
	<u>1,425,349</u>	<u>1,538,124</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	7,752	14,702
	<u>1,433,101</u>	<u>1,552,826</u>
NET POSITION		
Net investment in capital assets	981,009	868,132
Restricted	307,194	320,507
Unrestricted	51,402	57,359
	<u>1,339,605</u>	<u>1,245,998</u>
	<u>1,339,605</u>	<u>1,245,998</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 2,772,706</u></u>	<u><u>\$ 2,798,824</u></u>

The accompanying notes are an integral part of these financial statements.

Statements of Revenues and Expenses and Changes in Net Position

Years Ended December 31, 2020 and 2019

(amounts in thousands)

	2020	2019
OPERATING REVENUES		
Sales to power purchasers at cost	\$ 27,908	\$ 29,934
Retail energy sales		
Residential	45,094	46,844
Irrigation	27,453	24,927
Commercial and industrial	133,846	135,432
Governmental and others	3,384	2,693
Wholesale revenues, net	81,974	69,381
Wholesale fiber optic network sales	10,672	9,431
Other	1,713	2,532
	<u>332,044</u>	<u>321,174</u>
OPERATING EXPENSES		
Generation	37,702	37,031
Transmission	2,680	6,496
Distribution	31,041	25,245
Customer and information services	4,079	4,326
Wholesale fiber optic network operations	2,257	2,723
Administrative and general	38,791	35,287
License compliance and related agreements	18,106	15,300
Depreciation and amortization	78,677	76,050
Taxes	17,736	17,886
	<u>231,069</u>	<u>220,344</u>
NET OPERATING INCOME	<u>100,975</u>	<u>100,830</u>
OTHER REVENUES (EXPENSES)		
Interest and other income	19,569	22,324
Interest on revenue bonds and other, net	(44,167)	(59,344)
Federal rebates on revenue bonds	10,616	10,545
Amortization of debt related costs	(4,406)	3,540
Cost of debt issuance	(2,937)	(141)
	<u>(21,325)</u>	<u>(23,076)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>13,957</u>	<u>8,511</u>
CHANGE IN NET POSITION	<u>93,607</u>	<u>86,265</u>
NET POSITION		
Beginning of year	<u>1,245,998</u>	<u>1,159,733</u>
Total net position - end of year	<u>\$ 1,339,605</u>	<u>\$ 1,245,998</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019
(amounts in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retail energy sales	\$ 207,650	\$ 213,998
Cash received from sales to power purchasers at cost	26,174	32,831
Cash received from wholesale revenues	112,649	98,391
Other cash receipts	14,849	14,873
Cash paid for customer deposits	(996)	(7,279)
Cash paid for purchase of power	(34,605)	(28,823)
Cash paid to contractors, suppliers, and employees	(142,144)	(127,796)
Taxes paid	(17,429)	(17,804)
	<u>166,148</u>	<u>178,391</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on revenue bonds	(30,580)	(29,240)
Interest paid on revenue bonds	(50,423)	(60,069)
Federal interest rebates	5,330	10,545
Bond proceeds	522,657	50,000
Payment on refunded debt	(529,747)	(50,000)
Payment on defeased debt	(84,935)	-
Bond issuance cost	(2,937)	(141)
Cash received from contributions in aid of construction	14,978	18,633
Licensing obligation payments	(2,344)	(2,283)
Acquisition and construction of plant assets	(120,596)	(111,763)
Proceeds on sale of plant assets	325	294
Proceeds from insurance on capital assets	3,129	-
	<u>(275,143)</u>	<u>(174,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(365,653)	(534,534)
Sale of investment securities	452,029	466,231
Investment income proceeds	5,897	14,203
Net repurchase agreements	23,500	47,500
	<u>115,773</u>	<u>(6,600)</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ 6,778</u>	<u>\$ (2,233)</u>
CASH AT BEGINNING OF YEAR	<u>1,655</u>	<u>3,888</u>
CASH AT END OF YEAR	<u>\$ 8,433</u>	<u>\$ 1,655</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

(amounts in thousands)

	2020	2019
Reconciliation of operating gain to net cash used for operating activities:		
Net operating income	\$ 100,975	\$ 100,830
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	78,677	76,050
Accretion expense	75	60
Miscellaneous income	2,886	2,774
Provision for uncollectible accounts	45	376
Cash provided by (used in) changes in operating assets:		
Customer accounts receivable	(6,054)	3,873
Materials and supplies	(1,653)	518
Conservation loan	94	(31)
Other current assets	(399)	(202)
Deferred outflows - pension	(1,858)	(656)
Deferred outflows - other postemployment benefit	(77)	(2,291)
Cash provided by (used in) changes in operating liabilities:		
Habitat funds	486	(596)
Trade and wages payables	780	5,681
Customer deposits	(996)	(7,279)
Accrued taxes	308	82
Unearned revenue on long-term contracts	(4)	416
Net pension liability	889	(7,849)
Other postemployment benefits liability	658	2,729
Deferred inflows - pensions	(6,949)	1,009
Receivable from (payable to) power purchasers, net	(1,735)	2,897
	<u>\$ 166,148</u>	<u>\$ 178,391</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Non-cash Investing, Capital and Related Financing Activities		
Changes in construction costs included in accounts payable	\$ 596	\$ 7,971
Amortization of debt related costs, net	(4,406)	3,539
Changes in unrealized gain(loss) on investments	8,880	5,257
Gain(loss) on retirements, net	-	565
Change in licensing obligation	(18,346)	28,607

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY AND OPERATIONS OF GRANT PUD

Public Utility District No. 2 of Grant County, Washington (“Grant PUD” or “the utility”) is a municipal corporation of the state of Washington established in 1938 to serve the people of Grant County. Grant PUD comprises two operating systems: the Electric System and the Priest Rapids Project. Grant PUD is governed by an elected five-member Board of Commissioners (Commissioners). The Commissioners’ responsibilities are to appoint the General Manager/Chief Executive Officer (CEO), approve budgets for Grant PUD’s systems, and adopt regulations and set policies and guiding financial and operating principles for the operations included in these financial statements.

The Electric System is made up of Grant PUD’s electric transmission and distributions system and a fiber-optic telecommunication system. The Priest Rapids Project is composed of Grant PUD’s Wanapum Dam and the Priest Rapids Dam. The Priest Rapids Project is operated under Federal Energy Regulatory Commission (“FERC”) License, Project No. 2114. Grant PUD also maintains a Service System to provide administrative services to the operating systems. Internal transactions, which consist of intersystem loans and intercompany transactions between Grant PUD’s reporting segments and the Service System, have been eliminated in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America. Grant PUD is required by its financing arrangements to maintain separate accounts and to report separately on each operating system (see Note 13).

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting Standards – Grant PUD maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (“GASB”). Grant PUD’s accounting records generally follow the Uniform System of Accounts for public utilities and licensees prescribed by FERC. Grant PUD’s accounting records are further maintained in accordance with methods prescribed by the State Auditor under authority of Chapter 43.09.

Grant PUD’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred. Revenues and costs that are directly related to the generation, purchase, transmission, and distribution of electricity or fiber are reported as operating revenue and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

The accompanying financial statements are those of Grant PUD, which generates, transmits, and distributes electric energy and wholesale fiber optic network services within Grant County, Washington.

The significant accounting and financial policies followed by Grant PUD are outlined below.

Sales to power purchasers at costs – Sales to power purchasers at cost are revenues associated with power sales from the Priest Rapids Project under the long term Power Sales Contracts described in Note 6 and are recorded on a cost-based formula specified in the contracts which include operation and maintenance costs, 115% of debt service, and adjustments related to other factors. Depreciation, amortization, charges paid by the Renewal, Replacement and Contingency Fund, and Construction Funds are not considered costs of producing and delivering power for this purpose.

Notes to the Financial Statements (cont.)

Retail Sales – Grant PUD recognizes revenues associated with its retail customers when the power is delivered, which includes an estimate of revenue earned but not billed to customers as of year-end.

Wholesale – Grant PUD enters into various wholesale power purchase and sale agreements, for the purpose of securing a supply source that satisfies various peak load demand, to accommodate temporary outages, diversify supply and enhance reliability in accordance with prudent reliability standards, and to mitigate commercial risks arising from the potential change in values of owned assets due to hydrology fluctuations. Wholesale revenues, net are recognized when contractual obligations are met or ratably over the contract term (capacity payments) and presented net with simultaneously contracted energy purchases. Wholesale revenues, net include slice agreements, pooling agreements, financial proceeds received for Grant PUD’s Estimated Unmet District Load “EUDL” as defined by the long-term Power Sales Contracts and booked-out transactions.

Cash – Grant PUD only classifies amounts held in demand deposit accounts as cash.

Deposits and Investments – Deposits and Investments of Grant PUD are stated at fair value (refer to Note 2 for additional details), except for investments in the Washington State Local Government Investment Pool (LGIP) which are reported at amortized cost.

Realized and unrealized gains and losses on investments are included in interest and other income on the Statements of Revenues and Expenses and Change in Net Position.

Short-term investments are defined as investments with a maturity of less than one year. The purchase and maturity of investment instruments are reported on a gross basis in the Statements of Cash Flows, with the exception of repurchase agreements, which are reported on a net basis.

Investments are made in accordance with allowable investments established by state statutes. Authorized investments include: 1) Bonds of the state of Washington and any local government in the state of Washington; 2) General obligation bonds of a state or local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency; 3) Registered warrants of a local government in the same county as the government making the investment (subject to compliance requirements); 4) Obligations of the U.S. Government and its agencies; 5) Federal home loan and federal land bank bonds and federal national mortgage association obligations whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system; 6) Banker acceptances purchased on the secondary market; 7) Commercial paper and Corporate notes purchased in the secondary market, provided that the investments are to adhere to the investment policies and procedures adopted by the state investment board; and 8) the Washington State Treasurer’s Local Government Investment Pool (“LGIP” or “State Investment Pool”).

Materials and Supplies – Materials and supplies consist of hydroelectric generation, transmission, and distribution assets as well as fiber optic cable and fiber-related supplies. All inventory amounts are recorded at average cost and include overhead charges.

Notes to the Financial Statements (cont.)

Customer accounts receivable, net – Customer accounts receivable, net includes credit balances for uncollectible accounts and some credit customer balances. Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts due from specific customers for which collection is in question. Such estimates are developed based on historical experience. For 2020 and 2019, the allowance for uncollectible accounts was approximately \$0.6 million each year and is included in Customer accounts receivable, net.

Additional credit balances exist for customers set up on budget pay plans and customers with prepayments on account for credit purposes. For 2020 and 2019, total credit balances were approximately \$3.8 million each year.

Contributions in Aid of Construction – A portion of Grant PUD’s utility plant is financed through contributions from customers in accordance with the Customer Service and Interconnection policies. Additionally, a portion of utility plant may be financed through contributions from other sources, such as other governmental organizations or Fiber Optic Network Customers. Grant PUD recognizes capital contributions from these sources as non-operating revenue at the point at which it becomes nonrefundable. Grant PUD recognized \$14.0 million and \$8.5 million of Contributions in Aid of Construction for the years ended December 31, 2020 and 2019, respectively.

Utility Plant – Utility plant assets are recorded at cost including an allocation of internal payroll and other administrative and general costs associated with construction of the assets. Depreciation is determined by the straight-line method over the estimated life of the asset. Meters and transformers begin depreciating when received regardless of in-service date. Grant PUD’s asset lives used for computing depreciation range from five to 100 years, with an average rate of 2.59% and 2.63% for 2020 and 2019, respectively. Depreciation is calculated using the following estimated useful lives:

Generation	5 to 100
Transmission and Distribution	5 to 65
General	5 to 55
Fiber	10 to 30

When Grant PUD retires portions of its Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Utility Plant is removed from the Plant in Service. When utility plant assets are retired, their original cost, together with removal costs, less salvage, are charged to accumulated depreciation. The costs of maintenance and repairs are charged to operations as incurred. Renewals, replacements, and betterments are capitalized per Grant PUD’s Asset Capitalization Policy. The Policy requires assets to have a minimum useful life of five years and minimum cost of \$10,000, except for permanent additions to transmission and distribution or wholesale fiber plant, which only require a useful life greater than one year. Grant PUD assesses its assets for obsolescence and possible impairment on a periodic basis. Once an asset has been identified as impaired due to a significant and unexpected decline in usable capacity, it is written down to reflect its current service utility and the associated impairment loss is charged either to operations or an extraordinary item depending on its nature.

Preliminary Survey Costs – Certain preliminary costs are capitalized in accordance with FERC accounting guidance, which allows the capitalization of preliminary surveys, plans, designs, investigations, etc., incurred for the purpose of determining the feasibility of utility projects under contemplation. If construction results, these costs are transferred to construction work in progress. A project that is unfeasible or abandoned is expensed in the current period.

Demand-Side Management (“DSM”) Programs – Grant PUD’s expenditures for regional conservation programs and other DSM programs which benefit future periods by reducing energy supply requirements have historically been capitalized and amortized over the expected useful lives of the programs. DSM costs are expensed as Customer information and services expense. DSM costs incurred prior to 2009 are amortized over the original useful lives of the programs. The accumulated balance became fully amortized as of December 31, 2020.

Due from/to Power Purchasers – This balance represents the difference between estimated power costs collected by the Priest Rapids Project from power purchasers versus actual power costs, which will be settled with power purchasers the following year.

Debt Discounts, Premiums, and Issuance Costs – Debt discounts and premiums relating to the sale of bonds are amortized over the lives of the related bonds using the constant yield method. Debt issuance costs are recognized in the period incurred. Debt issuance costs incurred prior to 2013 are being amortized over the life of the related debt.

Refunding of Debt – The gain or loss on refunding of debt is recognized as a deferred inflow or outflow of resources and amortized over the remaining life of the refunded or newly issued bond(s), whichever is shorter. If debt is extinguished using Grant PUD’s existing resources, any resulting gain or loss is recognized during the current period.

Unearned Revenue – Contributions in aid of construction that are refundable are recorded as short-term or long-term unearned revenue depending on when construction associated with the contribution(s) is expected to take place. Additionally, Grant PUD has two long-term exchange contracts under which Grant PUD received collective prepayments of \$2.0 million that are being amortized into revenue on a straight-line basis over the life of these agreements.

Revenue Taxes – Utility revenue-based taxes assessed by governmental entities are accounted for as a separate cost collected from customers for remittance to those governmental entities. Therefore, revenue taxes paid to the taxing authorities are accounted for as an operating expense on the Statements of Revenues and Expenses and Changes in Net Position. Taxes collected from customers on behalf of other governmental entities are included in Retail energy sales in the Statements of Revenues and Expenses and Changes in Net Position.

Net Position – Grant PUD classifies net position into three components: Net investment in capital assets, Restricted, and Unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses, and related unspent project and debt service funds.
- *Restricted* – This component of net position consists of assets with constraints placed on their use. Constraints include those imposed by debt trust indentures, grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net assets and liabilities that do not meet the definition of “restricted” or “net investment in capital assets.”

When Grant PUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is Grant PUD’s policy to use restricted and designated first, then unrestricted resources as they are needed.

Restricted Bond Funds – Grant PUD has established separate reserve fund accounts in accordance with certain bond issuances and related agreements. The assets in these funds are restricted for specific uses, including debt service and other reserve requirements.

Significant Risk and Uncertainties – Grant PUD is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and natural-disaster-related disruptions, collective bargaining labor disputes, fish and other Endangered Species Act (“ESA”) issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of hydroelectric facilities, and the changes to the regulatory environment of the electrical utility industry.

Grant PUD carries excess liability coverage with an annual aggregate limit of \$60 million with a self-insured retention of \$2 million per occurrence. It carries underlying liability policies for specific loss types such as foreign travel and non-owned aviation liability to protect Grant PUD from losses associated with these risks. Grant PUD also maintains property insurance coverage with an aggregate limit of \$200 million, protecting against significant losses at the Priest Rapids Project, the Electric System, and all of the various Grant PUD real properties, with deductibles up to \$2.5 million per loss, and subject to policy terms and conditions.

Enterprise Risk Management – Grant PUD’s Enterprise Risk management is central to Grant PUD’s management processes; such that risks are considered in terms of their effect of uncertainty on objectives. The Enterprise Risk Management policy at Grant PUD includes strategy and planning, management, reporting processes, policies and values and culture. Grant PUD’s governance structure and processes are based on the management of risk. Effective risk management is regarded by employees as essential for the achievement of the organization’s objectives. The Enterprise Risk Management Committee consists of senior management and the manager of Enterprise Risk Management. This body assists the Commission and CEO in fulfilling their corporate governance responsibilities regarding risk management for Grant PUD and its related entities.

Energy Risk Management – Grant PUD’s power marketing activities are confined to balancing Grant PUD loads and resources and optimizing the value of the Priest Rapids Project for Electric System retail customers. The primary purpose of trading at the District is to meet the Electric System’s project loads, mitigate power portfolio risk and stabilize power portfolio cost and revenue. The Energy Risk Oversight Committee consists of senior management in the areas of wholesale energy marketing, financial management, and risk management, and meets regularly to monitor marketing activities, corporate position, policies, and risk. The Energy Risk Oversight Committee has developed and maintained an Energy Risk Management Policy which has been adopted by Grant PUD. The policy outlines the parameters for transactions, trader and counterparty exposure, and establishes review protocols and reporting frequency for all power supply management activities. Grant PUD believes its adherence to a periodic review of these policies and its controls to assure they are pertinent and being followed limits the risk of substantial financial loss resulting from Grant PUD’s power supply management activities.

COVID-19 Pandemic – In March 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a new virus known as COVID-19. In the months following the declaration, precautionary measures were ordered including closing schools, cancelling public events, limiting public gatherings, and restricting business operations and travel for non-essential activities.

Notes to the Financial Statements (cont.)

In response to the COVID-19 pandemic, Grant PUD established an Incident Management Team to set priorities protecting employee health, plan operations at varying Incident Criticality Levels (ICLs) and to safely and reliably deliver essential services without interruption. Certain measures were proactively implemented to mitigate operational and financial impacts to Grant PUD and its customers including: closing lobbies and recreation sites, requiring employees not required to be on site for essential services to work from home, and implementing “social distancing” and personal protective equipment measures for Grant PUD’s on-site staff. Contact tracing, COVID-19 preventative testing and a vaccine planning committee have also been established. The effects of the pandemic did not result in any interruptions to service for customers or material adverse financial impacts.

Personal Leave Benefit – Employees of Grant PUD accrue a personal leave benefit at rates dependent on year of service. Personal leave may be used for vacation, sick leave, or other employee absences. Unused personal leave may be accumulated up to a maximum of 1,200 hours for employees who began service prior to April 1, 2011. For employees hired on or after April 1, 2011, the maximum amount of accrued personal leave is 700 hours. Accrued liability for personal leave was \$11.6 million and \$9.9 million at December 31, 2020 and 2019, respectively. These liabilities are presented as part of Wages payable. Additions to and deductions from accrued personal leave were \$7.2 million and \$5.5 million for 2020, and \$7.6 million and \$7.2 million for 2019.

Use of Estimates – The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Grant PUD has used significant estimates in determination of unbilled revenue, licensing obligations, allowance for uncollectible accounts, net pension and other postemployment benefits/liabilities, and depreciable lives of utility plant.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. Accordingly, the balances are generally reported as of June 30 instead of December 31 because the DRS’ fiscal year ends on June 30 of each year. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value at the state level.

Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, the effects of economic/demographic gains or losses and assumption changes or inputs related to the OPEB liability, contributions to pension plans subsequent to the June 30 measurement date, Grant PUD’s proportionate share of deferred outflows related to those plans, and effects of economic/demographic gains or losses and assumption changes or inputs. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Notes to the Financial Statements (cont.)

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of Grant PUD's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

CHANGE IN ACCOUNTING POLICY

During 2020, the District implemented a new policy changing the method of accounting for wholesale sale and purchase agreements. The new policy improves consistency in reporting across various wholesale agreements by accounting for all simultaneous sale and purchase transactions, including the pooling and slice agreements on the net basis. Prior to implementing this policy, the pooling agreements were accounted for on the net basis, while the slice agreements were reported gross. Management believes this new approach results in a better representation and comparability of the District's wholesale activity. The change in method has no impact on the District's cash flows or change in net position. In addition, there is no immediate impact to the Statement of Revenues and Expenses and Changes in Net Position, however, the 2019 segment Statement of Revenues and Expenses and Changes in Net Position has been reclassified by netting power purchases originally included in Other operating expenses with Wholesale revenues, net. Refer to Note 13 for condensed segment financial statements

ACCOUNTING STANDARD CHANGES

In April 2018, GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*" The primary objective of this Statement is to improve the information that is disclosed in notes to the government financial statements related to debt including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement was early adopted during fiscal year 2019 and has been implemented throughout the debt disclosures.

In June 2018, GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end a construction period. Grant PUD early adopted this pronouncement prospectively for fiscal year 2019 resulting in discontinuation of the capitalized interest process.

In May 2020, GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements to governments in light of the COVID-19 pandemic. With the statement being effective immediately, Grant PUD adopted this pronouncement for fiscal year 2019, resulting in the postponement of implementing GASB Statement No. 83, "*Certain Asset Retirement Obligations*", and GASB Statement No. 84, "*Fiduciary Activities*" which were subsequently implemented in fiscal year 2020. Other Statements impacted by this Statement were either early adopted by Grant PUD, as noted above, or are not effective for fiscal year end 2020 and 2019. Grant PUD will continue to evaluate the financial statement impact of adopting this Statement.

Notes to the Financial Statements (cont.)

In November 2016, GASB issued Statement No. 83, “*Certain Asset Retirement Obligations.*” This Statement addresses the accounting and financial reporting for certain asset retirement obligations (AROs). Grant PUD adopted this statement in fiscal year 2020 and it did not have a material impact to the financial statements. Asset retirement obligation disclosures have been added to the financial statement footnotes. Refer to Note 7, Nonpower Commitments.

In January 2017, GASB issued Statement No. 84, “*Fiduciary Activities.*” The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for financial and reporting purposes and how the activities should be reported. Grant PUD adopted GASB Statement No. 84 in conjunction with Statement No. 97, which did not impact the financial statements.

In August 2019, GASB issued Statement No. 90, “*Majority Equity Interests.*” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Grant PUD adopted this statement in fiscal year 2020 and it did not impact the financial statements.

In June 2020, GASB issued Statement No. 97 “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*” The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Grant PUD adopted this statement in fiscal year 2020 and it did not impact the financial statements.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In June 2018, GASB issued Statement No. 87, “*Leases.*” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of Statement No. 87 are effective for reporting periods beginning after June 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

Notes to the Financial Statements (cont.)

In May 2019, GASB issued Statement No. 91, *“Conduit Debt Obligations”*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangement associated with conduit debt obligations, and (3) related note disclosures. The requirements of Statement No. 91 are effective for reporting periods beginning after December 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In January 2020, GASB issued Statement No. 92, *“Omnibus 2020”*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues for eight recent pronouncements, including GASB 87, *“Leases”*, GASB 84, *“Fiduciary Activities”*, and GASB 83, *“Asset Retirement Obligations”*. The requirements of Statement 92 are effective for reporting periods beginning after June 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In March 2020, GASB issued Statement No. 93, *“Replacement of Interbank Offered Rates.”* The primary objective of this Statement is to establish accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivatives instruments. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after December 31, 2021. The requirement of Statement 93 are effective for reporting periods ending after December 31, 2021. Grant PUD currently holds 1 LIBOR based debt product, which will be redeemed July 1, 2021 and does not expect to be significantly impacted by this statement.

In March 2020 GASB issued Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of Statement 94 are effective for reporting periods beginning after June 15, 2022. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In May 2020, GASB issued Statement No. 96 *“Subscription-Based Information Technology Arrangements.”* The primary objectives of this Statement are to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), to improve the comparability of financial statements among governments that have entered into SBITAs, and to enhance the understandability, reliability, relevance, and consistency of information about SBITAs. The requirements of Statement 96 are effective for reporting periods beginning after June 15, 2022. Grant PUD is currently evaluating the financial statement impact of adopting the Statement.

2. CASH AND INVESTMENTS

Grant PUD’s cash deposits at December 31, 2020 and 2019, were either covered by federal depository insurance or protected against loss by being on deposit with financial institutions recognized as qualified public depositories of the state of Washington under the Revised Code of Washington (“RCW”) Chapter 39. Subject to specific bond resolution limitations, management is permitted to invest as provided under the laws of the state of Washington.

Unspent cash, and associated investments, received in connection with bond offerings are maintained in funds as required by Grant PUD’s bond indentures. Restricted assets represent funds that are restricted by bond covenants or third-party contractual agreements. Funds that are allocated by Commission resolution are considered to be restricted assets. However, their use may be redirected at any time with Commission approval. Additionally, the Electric System Reserve and Contingency Fund’s board resolution explicitly includes the ability to transfer rate stabilization resources out of the fund to be available for debt service coverage in any given year, if required. During 2020, \$28.0 million of the Electric System Reserve and Contingency Fund was used to defease debt, of which a portion came from rate stabilization resources. There were no transfers from rate stabilization resources in 2019.

As of December 31, 2020, and 2019, Grant PUD’s unrestricted and restricted assets included on the Statement of Net Position as Cash and Investments, including accrued interest, consisted of the following:

(amounts in thousands)	2020	2019
Unrestricted assets:		
Revenue and Service System funds	\$ 90,215	\$ 116,630
Total unrestricted assets	90,215	116,630
Restricted assets:		
Electric System Reserve and Contingency fund	106,586	128,837
Self-Insurance Reserve fund	1,214	1,128
Total board designated assets	107,800	129,965
Construction funds	21,936	71,740
Bond Sinking funds	175,431	160,481
Debt Service Reserve funds	45,347	58,321
Priest Rapids Renewal, Replacement and Contingency fund	12,137	12,453
Habitat funds	17,486	15,887
Total restricted assets	272,337	318,882
Total restricted assets	380,137	448,847
Total cash and investments	\$ 470,352	\$ 565,477

Notes to the Financial Statements (cont.)

Interest Rate Risk – Grant PUD’s investment policy and investment oversight committee governs and monitors investment position limitations as a means of managing its exposure to fair value losses arising from increasing interest rates and to ensure compliance with state law. To further mitigate risk of selling investments early to meet unexpected cash flow needs, a minimum of 20% of the total portfolio will consist of investments maturing within one year. To the extent possible, Grant PUD matches its investments with anticipated cash flow requirements such as operating, construction, habitat, and current-year debt service. Other funds such as reserves and long-term sinking funds are invested within targeted effective duration parameters as determined by the investment oversight committee. With the exception of reserve and long-term sinking funds, Grant PUD will not invest in securities with an effective duration of more than six years from the date of purchase unless authorized by the investment oversight committee for specific transactions. Callable investments are assumed to be held to final maturity.

Below are Grant PUD’s investment maturities as of December 31, 2020 and 2019:

(amounts in thousands)	Total 2020	Investment Maturities (in Years)			
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 28,235	\$ 20,257	\$ 7,977	\$ -	\$ -
Municipal Bonds	150,232	9,124	66,992	21,880	52,237
U.S. Agencies Bonds	92,626	21,789	65,719	5,117	0
Commercial Paper	7,249	7,249	-	-	-
Supranational Institutions	31,016	18,421	12,595	-	-
Corporate Notes	52,534	28,336	24,198	-	-
State Investment Pool	97,788	97,788	-	-	-
Total	\$ 459,679	\$ 202,964	\$ 177,480	\$ 26,998	\$ 52,237

(amounts in thousands)	Total 2019	Investment Maturities (in Years)			
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 55,478	\$ 46,922	\$ 8,556	\$ -	\$ -
Municipal Bonds	189,334	32,119	48,335	40,388	68,492
U.S. Agencies Bonds	49,380	14,919	23,078	9,344	2,039
Repurchase Agreements	23,500	23,500	-	-	-
Commercial Paper	5,984	5,984	-	-	-
Supranational Institutions	23,662	18,135	5,527	-	-
Corporate Notes	30,092	13,810	16,282	-	-
State Investment Pool	183,245	183,245	-	-	-
Total	\$ 560,675	\$ 338,633	\$ 101,779	\$ 49,732	\$ 70,531

Notes to the Financial Statements (cont.)

Credit Risk – Grant PUD’s investment policy complies with state law and specifies minimal credit rating acceptability criteria of potential investment issuers. Pursuant to the investment policy, the minimum credit rating requirement at the time of investment purchase is one of the three highest credit ratings of a nationally recognized rating agency. Additionally, state law limits investments in commercial paper and corporate notes to adhere to the investment policies and procedures adopted by the state investment board, which requires commercial paper to be rated with the highest short-term credit rating category of any two major Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase and corporate notes to be rated at least weak single-A or better by all of the major rating agencies that rate the note at the time of purchase.

As of December 31, 2020, and 2019, investments in debt securities had credit quality ratings as follows:

Investment Rating (S&P) Equivalent

(amounts in thousands)	Total 2020										
	Fair Value	Long-term							Short-term		
		AAA	AA+	AA	AA-	A+	A	A-	NR	A-1+	A-1
Municipal Bonds	\$ 150,232	\$ 33,780	\$ 36,585	\$ 42,263	\$ 30,914	\$ 4,672	\$ 2,017	\$ -	\$ -	\$ -	\$ -
U.S. Agencies Bonds	92,626	2,001	80,626	-	-	-	-	-	-	9,998	-
Commercial Paper	7,249	-	-	-	-	-	-	-	-	5,249	2,000
Supranational Institutions	31,016	30,005	-	-	-	-	-	-	1,011	-	-
Corporate Notes	52,534	5,674	8,181	5,154	12,766	17,010	3,750	-	-	-	-
Total	\$ 333,656	\$ 71,461	\$ 125,393	\$ 47,416	\$ 43,680	\$ 21,682	\$ 5,767	\$ -	\$ 1,011	\$ 15,247	\$ 2,000

(amounts in thousands)	Total 2019										
	Fair Value	Long-term							Short-term		
		AAA	AA+	AA	AA-	A+	A	A-	NR	A-1+	A-1
Municipal Bonds	\$ 189,335	\$ 47,828	\$ 48,513	\$ 49,198	\$ 37,275	\$ 4,934	\$ 1,018	\$ -	\$ 569	\$ -	\$ -
U.S. Agencies Bonds	49,380	-	48,378	-	-	-	-	-	-	1,002	-
Commercial Paper	5,984	-	-	-	-	-	-	-	-	5,984	-
Supranational Institutions	23,662	23,662	-	-	-	-	-	-	-	-	-
Corporate Notes	30,092	5,577	10,713	8,208	500	-	3,585	1,509	-	-	-
Total	\$ 298,454	\$ 77,067	\$ 107,603	\$ 57,406	\$ 37,775	\$ 4,934	\$ 4,603	\$ 1,509	\$ 569	\$ 6,986	\$ -

Custodial Credit Risk – Grant PUD’s investment policy requires that securities purchased are held by a master custodian or other entity legally allowed to act as an independent third party on behalf of Grant PUD within that entity’s trust department.

Concentration of Credit Risk – Grant PUD’s investment policy states that with the exception of direct U.S. Government obligations, repurchase agreements collateralized by the same, and the state investment pool, no more than 50% of the total portfolio par value will be invested in government sponsored agencies, supranational institutions, or municipal bonds, and no more than 25% of the total portfolio par value will be invested in corporate bonds and commercial paper. Credit concentration of Grant PUD’s investment portfolio is actively monitored by the investment oversight committee as required by Grant PUD’s investment policy.

The investment oversight committee actively monitors portfolio composition and seeks to ensure prudent diversification is maintained. The following are the concentrations of risk greater than five percent in either year.

The credit ratings listed are from Standard and Poor’s Rating Services as of December 31, 2020.

Investments by Issuer	Credit Rating	2020	2019
Federal Home Loan Mortgage Corp	AA+	5%	2%
Federal Farm Credit Banks Funding Corp	AA+	10%	0%

Notes to the Financial Statements (cont.)

Grant PUD’s investments at December 31, 2020 and 2019, as identified on the Statements of Net Position, are shown below by investment type. All investments are either issued or registered in the name of Grant PUD or are held by Grant PUD or by Grant PUD’s agent in Grant PUD’s name, except for funds held in the Washington State Local Government Investment Pool which are not evidenced by securities. The difference between the totals shown in the previous table and table below is accrued interest of \$2.2 million and \$3.1 million for 2020 and 2019, respectively.

During 2020 and 2019, Grant PUD recognized \$4.9 million and \$13.8 million of interest income, respectively. The net increase in the fair value of investments held at December 31, 2020 and 2019 was a \$8.6 million and \$5.2 million net gain, respectively.

Investments by type at December 31, 2020 and 2019, were as follows:

(amounts in thousands)	2020		2019	
U.S. Treasuries	\$ 28,235	6%	\$ 55,478	10%
Municipal Bonds	150,233	32%	189,334	34%
U.S. Agencies Bonds	92,625	20%	49,380	9%
Repurchase Agreements	-	0%	23,500	4%
Commercial Paper	7,249	1%	5,984	1%
Supranational Institutions	31,016	7%	23,662	4%
Corporate Notes	52,534	11%	30,092	5%
State Investment Pool	97,787	21%	183,245	33%
Total investments	\$ 459,679	98%	\$ 560,675	100%
Cash	8,433	2%	1,655	0%
Total cash and investments	\$ 468,112	100%	\$ 562,330	100%

Investments in Local Government Investment Pool (LGIP) – Grant PUD is a participant in the State Local Government Investment Pool authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool that transacts with its participants at a stable net asset value per share of \$1.00. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB Statement 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost.

Participants may contribute and withdraw funds on a daily basis and must inform the LGIP of any contribution or withdrawal over \$1 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for \$1 million or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than \$1 million when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the LGIP. The LGIP is unrated and does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Notes to the Financial Statements (cont.)

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, and online at <http://www.tre.wa.gov>.

Fair Value Measurements – Grant PUD’s investments have been adjusted to reflect fair value measurements as of December 31, 2020, obtained from available financial industry valuation sources. Grant PUD categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In particular, Grant PUD valued its U.S. Treasuries using quoted prices in active markets. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Below are Grant PUD’s fair value measurements as of December 31, 2020 and 2019:

(amounts in thousands)	Total 2020	Fair Value Measurements			Not Levelled (amortized cost)
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt Securities					
Municipal Bonds	\$ 150,233	\$ -	\$ 150,233	\$ -	\$ -
U.S. Treasuries	28,235	28,235	-	-	-
U.S. Agencies	92,625	9,998	82,627	-	-
Supranational Institutions	31,016	-	31,016	-	-
Corporate Notes	52,534	-	52,534	-	-
Commercial Paper	7,249	-	7,249	-	-
Repurchase Agreements	-	-	-	-	-
State Investment Pool	97,788	-	-	-	97,788
Total investments by fair value level	\$ 459,679	\$ 38,233	\$ 323,658	\$ -	\$ 97,788

(amounts in thousands)	Total 2019	Fair Value Measurements			Not Levelled (amortized cost)
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt Securities					
Municipal Bonds	\$ 189,334	\$ -	\$ 189,335	\$ -	\$ -
U.S. Treasuries	55,478	55,478	-	-	-
U.S. Agencies	49,380	-	49,380	-	-
Supranational Institutions	23,662	-	23,662	-	-
Corporate Notes	30,092	-	30,092	-	-
Commercial Paper	5,984	-	5,984	-	-
Repurchase Agreements	23,500	-	23,500	-	-
State Government Investment Pool	183,245	-	-	-	183,245
Total investments by fair value level	\$ 560,675	\$ 55,478	\$ 321,954	\$ -	\$ 183,245

3. UTILITY PLANT

Utility plant of Grant PUD as of December 31, 2020, and 2019, is summarized as follows:

(amounts in thousands)	Balance 2019	Additions	Retirements/ Transfers	Balance 2020
Land and land rights	\$ 25,216	\$ -	\$ -	\$ 25,216
Construction in progress	124,525	120,600	(126,076)	119,049
Total nondepreciable assets	149,741	120,600	(126,076)	144,265
Distribution facilities	633,673	15,293	(648)	648,318
Transmission facilities	264,804	722	-	265,526
Hydro facilities				
Power plant structures	144,113	123	-	144,236
Reservoirs, dams, waterways	515,560	2,201	-	517,761
Power plant equipment	793,873	73,389	(4,053)	863,209
General facilities				
Quincy Chute (Note 6)	19,499	-	-	19,499
Potholes East Canal (Note 6)	16,491	-	-	16,491
Other generation	30	-	-	30
General plant	565,105	27,580	(2,231)	590,454
FERC License	141,863	-	(18,346)	123,517
Other intangible assets	49,099	8,040	(625)	56,514
Total depreciable assets	3,144,110	127,348	(25,903)	3,245,555
Accumulated depreciation and amortization	(1,122,471)	(78,618)	6,674	(1,194,415)
Total depreciable assets, net	2,021,639	48,730	(19,229)	2,051,140
Total net utility plant	\$ 2,171,380	\$ 169,330	\$ (145,305)	\$ 2,195,405

Notes to the Financial Statements (cont.)

(amounts in thousands)	Balance 2018	Additions	Retirements/ Transfers	Balance 2019
Land and land rights	\$ 24,919	\$ -	\$ 297	\$ 25,216
Construction in progress	133,001	120,383	(128,859)	124,525
Total nondepreciable assets	157,920	120,383	(128,562)	149,741
Distribution facilities	608,243	26,941	(1,511)	633,673
Transmission facilities	251,026	13,778	-	264,804
Hydro facilities				
Power plant structures	144,113	-	-	144,113
Reservoirs, dams, waterways	511,075	4,485	-	515,560
Power plant equipment	740,476	56,336	(2,939)	793,873
General facilities				
Quincy Chute (Note 6)	18,543	956	-	19,499
Potholes East Canal (Note 6)	16,491	-	-	16,491
Other generation	30	-	-	30
General plant	541,132	24,617	(644)	565,105
FERC License	113,256	28,607	-	141,863
Other intangible assets	46,354	3,275	(530)	49,099
Total depreciable assets	2,990,739	158,995	(5,624)	3,144,110
Accumulated depreciation and amortization	(1,051,398)	(75,935)	4,862	(1,122,471)
Total depreciable assets, net	1,939,341	83,060	(762)	2,021,639
Total net utility plant	\$ 2,097,261	\$ 203,443	\$ (129,324)	\$ 2,171,380

4. LICENSING

The Priest Rapids Project is operated under a 44-year FERC license that expires in 2052. Costs associated with the relicensing efforts, totaling \$57.1 million, were recorded as an intangible asset included in Utility plant and are being amortized over the term of the license. Accumulated amortization related to the relicensing efforts totaled \$28.2 million and \$26.4 million as of December 31, 2020 and 2019, respectively.

Under the license, Grant PUD is committed to numerous obligations related to fish and habitat protection that require payments to other organizations using funds provided by Grant PUD. The present value of these obligations totaled \$54.8 million as of December 31, 2020, of which approximately \$1.8 million is expected to be paid within one year. The present value of the obligations was \$75.4 million as of December 31, 2019. These amounts are the FERC Licensing Obligations reflected as liabilities in the Statement of Net Position. The elements of these obligating payments, comprising the Salmon and Steelhead Agreement, Part A (Hatchery Renovation) and Part B (Resident Fish Monitoring and Trout Purchase), are further discussed in Note 7.

Grant PUD's FERC License also contains requirements related to recreation sites, cultural resources, and various other requirements. Grant PUD has achieved compliance with many of these license terms and is actively implementing plans to comply with remaining requirements in a cost-effective manner in consultation with various stakeholders.

5. LONG-TERM DEBT

Long-term Debt

Grant PUD's total principal of outstanding debt and coupon interest rate is presented below:

(amounts in thousands)				
Issue	Final Maturity	Interest Rate	2020	2019
<u>Electric System Revenue Bonds</u>				
2013-J Bonds	1/1/2041	5.00%	\$ -	\$ 67,625
2017-N Bonds	1/1/2044*	2.00%	-	49,865
2017-O Bonds	1/1/2047	5.00%	64,545	64,545
2020-Q Bonds	1/1/2041	1.73%-3.34%	74,975	-
2020-R Bonds	1/1/2044*	2.00%	47,190	-
2020-S Bonds	1/1/2044*	2.00%	48,045	-
<u>Priest Rapids Project Revenue Bonds</u>				
2010-A Bonds	1/1/2023	3.50%-5.0%	-	8,175
2010-L Bonds	1/1/2040	4.76%-5.83%	164,495	167,725
2010-M Bonds	1/1/2027	5.63%	90,000	90,000
2010-Z Bonds	1/1/2040	5.41%-5.83%	30,880	31,225
2012-A Bonds	1/1/2035	3.75%-5.0%	-	35,715
2012-B Bonds	1/1/2023	5.00%	5,460	7,115
2012-M Bonds	1/1/2032	3.91%	42,395	42,395
2012-Z Bonds	1/1/2035	2.77%-4.16%	10,665	11,225
2013-A Bonds	1/1/2043	4.0%-5.0%	-	69,690
2013-Z Bonds	1/1/2043	3.26%-5.63%	-	27,245
2014-A Bonds	1/1/2044	4.0%-5.0%	-	133,620
2014-B Bonds	1/1/2038	4.0%-5.0%	-	47,720
2015-A Bonds	1/1/2043	2.0%-5.0%	-	67,205
2015-B Bonds	1/1/2033	3.5%-5.0%	-	14,950
2015-M Bonds	1/1/2040	4.58%	90,000	90,000
2017-B Bonds	1/1/2031	2.65%	6,485	6,985
2020-Z Bonds	1/1/2043	1.69%-3.31%	127,115	-
2020-Z2 Bonds	1/1/2044	1.47%-3.05%	220,060	-
2006-Z-PR Bonds	1/1/2036	5.33%	26,395	27,425
2005-Z-PR Bonds	1/1/2033	5.40%-5.50%	20,085	21,890
2003-Z-PR Bonds	1/1/2021	5.48%	1,715	3,340
2006-Z-WAN Bonds	1/1/2043	5.33%-5.42%	78,350	80,070
2003-Z-WAN Bonds	1/1/2021	5.48%	1,870	3,645
<u>Subordinate Revenue Bonds</u>				
2017-M Bonds	9/18/2020	Libor Based	-	50,000
2019-P Bonds	7/1/2021	Libor Based	50,000	50,000
Total revenue bonds outstanding			\$ 1,200,725	\$ 1,269,395

* The 2017-N, 2020-R and 2020-S Bonds were issued as mandatory put bonds bearing interest at a fixed term interest rate of 2.0% for the initial term interest rate period ending on their mandatory tender dates of December 2, 2020, December 1, 2025 and December 1, 2023, respectively. The District refunded the 2017-N Bonds with proceeds of the 2020-S Bonds on September 1, 2020 and intends to redeem the R&S series between their call and mandatory tender dates.

Notes to the Financial Statements (cont.)

Scheduled debt service requirements to maturity for debt from revenue bonds are as follows:

(amounts in thousands)	Principal	Interest	Total
2021	\$ 29,295	\$ 45,128	\$ 74,423
2022	29,795	44,120	73,915
2023	31,920	42,829	74,749
2024	29,005	41,145	70,150
2025	29,800	40,006	69,806
2026 - 2030	268,975	161,681	430,656
2031 - 2035	249,975	109,980	359,955
2036 - 2040	342,790	66,797	409,587
2041 - 2045	131,645	10,702	142,347
2046 - 2049	7,525	381	7,906
Total	\$ 1,150,725	\$ 562,769	\$ 1,713,494

Scheduled debt service requirements to maturity for debt from direct placements are as follows:

(amounts in thousands)	Principal	Interest	Total
2021	\$ 50,000	\$ 145	\$ 50,145
Total	\$ 50,000	\$ 145	\$ 50,145

Interest on revenue bonds in the preceding tables includes interest requirements for fixed rate debt at their stated rates. Interest for direct placements are variable-rate debt and computed using 80% of the 1-month London Interbank Offered Rate (LIBOR) plus a fixed fee. Variable-rate interest to maturity is estimated using the LIBOR interest rate effective as of December 31, 2020.

During the years ended December 31, 2020 and 2019, the following changes occurred in Grant PUD's long-term debt:

(amounts in thousands)	2019 Balance	Additions	Reductions	2020 Balance	Due Within One Year
Revenue bonds payable	\$ 1,169,395	\$ 517,385	\$ (536,055)	\$ 1,150,725	\$ 29,295
Unamortized premiums and discounts, net	32,254	5,272	(24,420)	13,106	-
Subordinate direct placement revenue bonds	100,000	-	(50,000)	50,000	50,000
Total	\$ 1,301,649	\$ 522,657	\$ (610,475)	\$ 1,213,831	\$ 79,295

(amounts in thousands)	2018 Balance	Additions	Reductions	2019 Balance	Due Within One Year
Revenue bonds payable	\$ 1,198,635	\$ -	\$ (29,240)	\$ 1,169,395	\$ 30,580
Unamortized premiums and discounts, net	36,669	-	(4,414)	32,254	-
Subordinate direct placement revenue bonds	100,000	50,000	(50,000)	100,000	50,000
Total	\$ 1,335,304	\$ 50,000	\$ (83,654)	\$ 1,301,649	\$ 80,580

Refunded Debt

On January 29, 2020 Grant PUD issued \$75.0 million of Series 2020-Q Electric System refunding bonds at an average coupon rate of 2.98% and final maturity date of January 1, 2041. The proceeds were used to refund the series 2013-J bonds. The difference between the reacquisition price and net carrying amount of the old debt of \$7.5 million is reported as a deferred outflow of resources and is being amortized over the remaining life of the debt. The net present value savings, or economic gain, from the refunding is \$7.0 million.

On January 29, 2020 Grant PUD issued \$127.1 million of Series 2020-Z Priest Rapids Project refunding bonds at an average coupon rate of 2.99% and final maturity of January 1, 2043. The proceeds, combined with cash reserves, were used to refund and defease the six series 2010A, 2012A, 2013A, 2013Z, 2014B, and 2015B bonds. The refundings resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$11.1 million and is reported as a deferred outflow of resources and is being amortized over the remaining life of the debt. The net present value savings, or economic gain, from the refunding is \$14.0 million. The defeasances resulted in a current accounting loss of \$3.2 million which is included in Amortization of debt related costs in the Statements of Revenues, Expenses and Changes in Net Position. The net present value savings, or economic gain, from the defeasance is \$0.4 million.

On March 25, 2020 Grant PUD issued 2020-Z2 Priest Rapids Project bonds in the amount of \$220.1 million at an average coupon rate of 2.64% and final maturity of January 1, 2044. The proceeds were used to refund the series 2014A and 2015A bonds. The difference between the reacquisition price and net carrying amount of the old debt of \$15.0 million is reported as a deferred outflow of resources and is being amortized over the remaining life of the debt. The net present value savings, or economic gain, from the refunding is \$7.7 million.

On September 1, 2020 Grant PUD issued the 2020-R and 2020-S Electric system bonds in the amounts of \$47.2 million and \$48.0 million at premiums of \$3.1 million and \$2.1 million, respectively. The proceeds were used to redeem the 2017-M and 2017-N bonds. The final maturity of the combined 2020-R&S series is January 1, 2044 with interest paid through January 1, 2035 at a combined yield of 0.59% and corresponding call dates of September 1, 2025 and September 1, 2023. The series 2020-R&S have mandatory tender dates of December 1, 2025 and December 1, 2023, after which time if not refunded the interest rate would move from the initial rate. The District intends to redeem the series 2020-R&S bonds between their call and mandatory tender dates.

On April 8, 2019, Grant PUD signed a subordinate direct placement bond purchase agreement with Bank of America, N.A., to issue a \$50 million variable rate Electric System refunding bond (2019-P). The bond refunded the \$50.0 million 2016-L issuance and has a floating interest rate of 80% of LIBOR plus 0.37% fee maturing on July 1, 2021.

Covenants

Grant PUD's bond resolutions (senior lien parity bonds and subordinate lien bonds) contain various covenants that include requirements to maintain minimum annual debt service coverage ratios, stipulated minimum funding of revenue bond reserves for certain bonds, and various other requirements. These covenants require Grant PUD to establish, maintain and collect rates or charges for electric energy and all other commodities, services and facilities sold, furnished or supplied or through the Priest Rapids Project and Electric Systems to provide adequate net revenues in each system sufficient for the payment of principal and interest and all payments which the District is obligated to set aside in the bond funds in addition to operating costs. Costs of the Priest Rapids Project, including debt service and operating costs, are an obligation of the Electric system.

For the years ended December 31, 2020 and 2019, Grant PUD met the minimum debt service coverage of 1.15x and 1.25x for the Priest Rapids Project and Electric System senior bonds, respectively. The Electric System's direct placed bank products are subordinate and have a coverage requirement of 1.10x.

Collateral

The principal and interest on Grant PUD's revenue bonds are payable exclusively from, and are collateralized by a pledge of, the net revenues of Grant PUD. Neither the credit nor the taxing power of Grant PUD is pledged to the payment of the bonds.

6. POWER PURCHASER COMMITMENTS

Priest Rapids Project

Under the Priest Rapids Power Sales Contracts, the amount of net Priest Rapids Project power costs incurred by Grant PUD in serving its load changes on an annual basis in relation to its firm power requirements. Grant PUD incurred 83.6% and 82.5% of Priest Rapids Project power costs with the long-term contract power purchasers funding the remaining 16.4% and 17.5% for 2020 and 2019, respectively. Each purchaser is obligated to pay its share of the cost (excluding depreciation and amortization) of producing and delivering power, plus 115% of its share of the amounts required for debt service payments in accordance with the power purchase agreement.

Bonneville Power Administration (BPA)

Grant PUD is a statutory preference customer of BPA. Grant PUD signed a BPA preference contract during 2008 to serve its Grand Coulee load of approximately 5 average megawatts ("aMW") that expires September 30, 2028. In addition, Grant PUD has purchased from BPA the transmission required to deliver the power associated with this load through September 30, 2028. Grant PUD has 12 megawatts ("MW") of transmission for the delivery of power from the Nine Canyon Wind Project with a term expiring on October 1, 2030.

Notes to the Financial Statements (cont.)

Grant PUD management estimates Grant PUD's minimum commitments to BPA for the next five years are as follows:

Estimated BPA Contractual Payments (amounts in thousands)

2021	\$	2,383
2022		2,451
2023		2,522
2024		2,594
2025		2,669

Nine Canyon Wind Power Purchase Agreement

Grant PUD participates in a power purchase agreement with Energy Northwest for Phase I of the Nine Canyon Wind Project (the "Project") which consists of 37 wind turbines with an aggregate generating capacity of approximately 48 MW. Energy Northwest is a municipal corporation and a joint operating agency of the State of Washington (formerly known as the Washington Public Power Supply System).

The project was constructed in phases. Grant PUD is one of nine public agencies participating in the original project power purchase agreement for Phase I of the Project. Grant PUD's purchaser share of Phase I of the project output was 25% of output up to a maximum of 12 MW. Since Grant PUD did not participate in either Phase II or Phase III of the Project, its amended share of the combined Project is 12.54% through the expiration of the agreement in 2030. In exchange for the output, Grant PUD pays its 12.54% share of certain Project costs and its 25% share of Phase I debt service (principal and interest) issued by Energy Northwest to finance the construction of the Project, which is estimated to be a total of \$2.0 million annually. Grant PUD does not participate in the two other phases of the Project. The phases are operated together as a single project under an amended power purchase agreement.

Complete financial statements for Energy Northwest, including the Nine Canyon Project, is available from the Energy Northwest, PO Box 968, Richland, Washington, 99352-0968, and online at <http://www.energy-northwest.com>.

Yakama Nation Agreement

In 2007, Grant PUD entered into an agreement with the Yakama Nation that provides mutual benefits to both parties. In exchange for physical benefits from the Priest Rapids Project, the Yakama Nation works collaboratively with Grant PUD on environmental issues affecting the project and in the development of new generation resources. The Yakama Nation is responsible to pay the costs associated with producing the benefit received.

A primary consideration for the agreement is an allocation of the benefit from the Priest Rapids Project to the Yakama Nation. The financial equivalent of 15 aMW was paid during 2010-2015 less the associated power costs. Per the agreement, the financial benefit will be 10 aMW net of cost of production from 2017 through the remainder of the agreement. The net payments to the Yakama Nation totaled \$0.1 million and \$1.6 million during 2020 and 2019, respectively. The agreement expires at the end of the FERC license term (2052).

The projected annual cost for this agreement is listed in the table below.

**Estimated Yakama Nation Contractual Payments
(amounts in thousands)**

2021	\$	1,100
2022		901
2023		845
2024		673
2025		694

Other Sources

Pursuant to agreements with three irrigation districts, Grant PUD constructed, operates, and maintains both the Quincy Chute and Potholes East Canal hydroelectric generation facilities in return for the right to all output from the projects. The construction costs of Quincy Chute and Potholes East Canal are included in Net utility plant and are being amortized over the terms of the agreements, which expire October 1, 2025, and September 1, 2030, respectively. The irrigation districts hold title to the project facilities.

7. NONPOWER COMMITMENTS

Capital Projects

Grant PUD has contractual commitments relating to several Electric System capital improvement projects including the fiber buildout, electrical system upgrades, transformer purchases, power cable purchases, and substation and distribution line construction projects. As of December 31, 2020, the spent to date for these Electric System major capital contracts totaled \$60.2 million. The remaining commitment for these contracts as of December 31, 2020 was \$159.3 million.

Grant PUD's improvement programs for the Priest Rapids Project include restoration or replacement of generators, turbine upgrades, unit controls, the station service and substation circuit breakers, and replacing trunnion bearings and coating systems for spillway gates. Grant PUD also is committed to ongoing dam safety initiatives, which currently include Priest Rapids Dam's right embankment upgrade, assessment of Wanapum Dam's left embankment, and seismic evaluation of concrete structures at both dams. Grant PUD intends to, or has committed by contract or regulatory requirement to, fulfill these programs, which are projected to be substantially complete by 2028. As of December 31, 2020, the spent to date price for these Priest Rapid Project major capital contracts totaled \$330.8 million. The remaining commitments for these contracts as of December 31, 2020 was \$194.0 million.

ASSET RETIREMENT OBLIGATIONS

Grant PUD implemented GASB Statement No. 83 “Certain Asset Retirement Obligations” for the fiscal year ended December 31, 2020. For the purposes of this statement an ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. ARO’s result from the normal operations of a tangible capital asset, whether acquired or constructed, and include legally enforceable liabilities associated with the retirement of a tangible capital asset, disposal of a replaced part that is a component of a tangible capital asset, environmental remediation associated with the retirement of a tangible capital asset that results from the normal operation of the asset.

Grant PUD has identified several assets with ARO’s incurred but has determined the timing and extent of any liabilities associated with asset operations is not determinable at this time. Assets identified are as follows:

Distribution, Transmission and Fiber Optic Lines - Grant PUD currently maintains 3,904 miles of overhead and underground distributions lines, 484 miles of transmission lines and 1,791 miles of fiber optic cable lines. Numerous licenses, permits, easements and leases exist allowing Grant PUD to construct these lines on various parcels of land. The removal of Grant PUD assets and site restoration is required upon termination of many of the agreements. Grant PUD expects to maintain these distribution, transmission and fiber optic lines for the foreseeable future and to renew land use agreements perpetually due to the essential nature of this infrastructure. As such, an obligation has not been calculated because the time frame and extent of the obligation under this statement was considered indeterminate. As a result, an ARO was not recorded; an ARO will be recorded if future events warrant a change.

Wanapum and Priest Rapids Barge Landings - Grant PUD has entered into aquatic lands leases with the Washington State Department of Natural Resources to operate and maintain public access and boat launch sites on the Columbia River. The leases each have terms of 12 years. Under the leases, Grant PUD made several leasehold improvements including replacing three boat launch ramps with new ramps, which are referred to as the Wanapum and Priest Rapids Barge Landings. Grant PUD maintains these boat launch sites for the public and occasionally uses them to launch District boats to support dive inspections for the dams. The barge landings would have significant environmental and cultural considerations if the agreements expired and removal was enforced. Grant PUD expects to maintain the barge landings for the foreseeable future and to renew the land use agreements perpetually. As such, an obligation has not been calculated because the time frame and extent of the obligation under this statement was considered indeterminate. As a result, an ARO was not recorded; an ARO will be recorded if future events warrant a change.

ENVIRONMENTAL MATTERS

In 2006, Grant PUD entered into a Salmon and Steelhead Settlement Agreement (Agreement) with U.S. Fish and Wildlife Service (USFWS), the National Marine Fisheries Service of the National Oceanic and Atmospheric Administration (NOAA), the Washington Department of Fish and Wildlife (WDFW), Yakama Nation (YN), and the Confederated Tribes of the Colville Reservation (CCT) for the purpose of resolving all issues between Grant PUD and the other signatories related to anadromous salmonid fish species.

This agreement is intended to constitute a comprehensive and long-term adaptive management program for the protection, mitigation, and enhancement of anadromous fish (both listed and not listed species under the Endangered Species Act) that pass or may be affected by the Priest Rapids Project.

Notes to the Financial Statements (cont.)

Under the Agreement, Grant PUD is obligated to establish a habitat conservation account and a no-net-impact fund (referred herein as “Habitat funds”) into which Grant PUD deposits payments for further distribution in accordance with the requirements of the Salmon and Steelhead Agreement. The purpose of the Habitat funds are two-fold: (1) to establish and shepherd a habitat restoration program that promotes the rebuilding of self-sustaining and harvestable populations of anadromous species and to mitigate for a portion (2%) of unavoidable losses resulting from the Priest Rapids Project operations and (2) to provide near-term compensation for annual survivals that are less than the survival objectives in the performance standards for the Priest Rapids Project for spring Chinook, steelhead, summer Chinook, and sockeye. The parties that oversee the distribution of these funds include the signatories to the Priest Rapids Salmon and Steelhead Settlement Agreement (USFWS, NOAA Fisheries, WDFW, CCT, YN, and Grant PUD). Per the Agreement, when performance standards have been achieved on a species-by-species basis, the no-net-impact fund annual contributions for that species will be terminated.

Per the Priest Rapids Salmon and Steelhead Settlement Agreement, Grant PUD has achieved the condition of No-Net-Impact for spring Chinook, sockeye, and steelhead. Grant PUD has also achieved the No-Net-Impact requirement for coho salmon by providing hatchery compensation for the Upper Columbia at a rate equivalent to 14% (7% per development).

Grant PUD is currently seeking approval of its claim that No-Net-Impact requirements have been achieved for subyearling Chinook from the Priest Rapids Coordinating Committee and Priest Rapids Coordinating Policy Committee.

In addition to the Habitat funds discussed above, Grant PUD is obligated to establish a habitat account into which Grant PUD deposits payments for further distribution in accordance with the requirements of the NOAA Fisheries 2008 Biological Opinion (“2008 BiOp”) for the Priest Rapids Project. Funds from this account are used for habitat actions that directly benefit Upper Columbia River (“UCR”) spring-run Chinook salmon and UCR steelhead. The parties identified above and the Confederated Tribes of the Umatilla Reservation have been identified in the 2008 BiOp as responsible for overseeing distribution of these funds.

The Habitat funds are restricted and cannot be spent without unanimous consent. Interest earned by the Habitat funds increases the balance of these funds and is not recognized as income by Grant PUD. Expenditures of these funds are made in accordance with the Agreement and the 2008 NOAA Fisheries BiOp for the protection and restoration of habitats along the mainstream and tributaries within the UCR watershed including the Okanogan, Methow, Entiat, and Wenatchee watersheds. Grant PUD anticipates funding these accounts up to and through the term of its FERC license.

In October 2006, Grant PUD filed a request for a 401 Water Quality Certification (“401 WQC”) from the Washington State Department of Ecology (“Ecology”), pursuant to the provisions of section 401 of the Clean Water Act. A 401 WQC for the operation of the Priest Rapids Project was issued by Ecology on April 3, 2007, and amended on March 6, 2008.

Notes to the Financial Statements (cont.)

In order to fulfill requirements of the 401 WQC related to native resident fish, Grant PUD is required to provide funds to track native resident fish species diversity and provide mitigation for impacts to and loss of resident fish and harvest opportunities by compliance with Parts A and B. Grant PUD has met all requirements of Part A as of December 31, 2018. Part B requirements are described in further detail below. Under Part B (“Resident Fish Monitoring and Trout Purchase”), Grant PUD is obligated to establish and administer a fund for resident fish monitoring and fish purchase. Funds from Part B are specifically directed toward the monitoring of native resident fish species within the Priest Rapids Project area. Grant PUD is required to make contributions to the fund annually on or before February 15 of each year in the amount of \$0.1 million per year, based upon 2003 dollars and annually adjusted for inflation.

In a FERC Order (issued on August 31, 2010) approving the Wildlife Habitat Management Plan (Article 409), Grant PUD is required to assist the Washington Department of Fish and Wildlife in fire suppression by contributing \$40,000 annually to an account. Funds from the account are to be designated for: 1) revegetating burned areas; 2) revegetating areas known to burn frequently with species carrying lesser fuel loads; 3) creating fire breaks in appropriate locations; and 4) paying for firefighting activities.

Grant PUD’s total contributions to these Habitat funds for the years ended December 31, 2020 and 2019, equaled \$2.3 million for each year. The following table shows Grant PUD’s estimate of the remaining fixed contributions to the Habitat funds as of December 31, 2020, representing required contributions through the FERC License term (2052).

Estimated Fixed Habitat Funding Commitments (amounts in thousands)

2021	\$	1,785
2022		1,785
2023		1,785
2024		1,785
2025		1,785
2026 through 2052		48,195
Total	\$	57,120

8. RETIREMENT AND DEFERRED COMPENSATION PLANS

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2020 and 2019:

Aggregate Pension Amounts - All Plans

(amounts in thousands)	2020	2019
Pension Liabilities	\$ 25,727	\$ 24,837
Deferred Outflows of Resources	8,268	6,409
Deferred Inflows of Resources	7,752	14,701
Pension Expense	1,669	1,416

State Sponsored Pension Plans

Substantially all Grant PUD’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS comprises three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Notes to the Financial Statements (cont.)

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
2020		
January - August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	0.18%	-
Total	12.86%	6.00%
September - December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	-
Administrative Fee	0.18%	-
Total	12.97%	6.00%
2019		
January - June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	0.18%	-
Total	12.83%	6.00%
July - December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	0.18%	-
Total	12.86%	6.00%

Grant PUD’s actual contributions to the plan were \$3.6 million and \$3.5 million for the years ended December 31, 2020 and 2019, respectively.

Notes to the Financial Statements (cont.)

PERS Plan 2/3 provide retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

With a benefit that is reduced by three percent for each year before age 65, or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Notes to the Financial Statements (cont.)

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The **PERS Plan 2/3** required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 were as follows:

PERS Plan 2/3		Employer	Employee
Actual Contribution Rates:			
2020			
January - August 2020			
PERS Plan 2/3	7.92%	7.90%	
PERS Plan 1 UAAL	4.76%	-	
Administrative Fee	0.18%	-	
Employee PERS Plan 3	-	varies	
Total	12.86%	7.90%	
September - December 2020			
PERS Plan 2/3	7.92%	7.90%	
PERS Plan 1 UAAL	4.87%	-	
Administrative Fee	0.18%	-	
Employee PERS Plan 3	-	varies	
Total	12.97%	7.90%	
2019			
January - June 2019			
PERS Plan 2/3	7.52%	7.41%	
PERS Plan 1 UAAL	5.13%	-	
Administrative Fee	0.18%	-	
Employee PERS Plan 3	-	varies	
Total	12.83%	7.41%	
July - December 2019			
PERS Plan 2/3	7.92%	7.90%	
PERS Plan 1 UAAL	4.76%	-	
Administrative Fee	0.18%	-	
Employee PERS Plan 3	-	varies	
Total	12.86%	7.90%	

Grant PUD’s actual contributions to the plan were \$5.9 million and \$5.4 million for the years ended December 31, 2020 and 2019, respectively.

Actuarial Assumptions

The 2020 total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

The 2019 TPL for each of the DRS plans was determined using the actuarial valuation completed in 2019, with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic experience Study*.

Additional 2020 assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. Additional 2019 assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement dates of June 30, 2020, and June 30, 2019. The 2020 plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, and 2019 plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.50% salary inflation

Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment rate of return: 7.4%

2020 mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

2019 mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions between the 2020 and 2019 valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at

Notes to the Financial Statements (cont.)

2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

There were changes in methods and assumptions between the 2019 and 2018 valuations.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for termination vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience date, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the tables below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Notes to the Financial Statements (cont.)

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
2020		
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<u>100%</u>	
2019		
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<u>100%</u>	

Notes to the Financial Statements (cont.)

Sensitivity of Net Pension Liability (NPL)

The tables below present Grant PUD’s proportionate share of the net pension liability calculated using the applicable discount rate, as well as what Grant PUD’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than applicable discount rate.

2020		Current Discount	
(amounts in thousands)	1% Decrease (6.4%)	Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 21,981	\$ 17,549	\$ 13,683
PERS 2/3	50,886	8,178	(26,992)

2019		Current Discount	
(amounts in thousands)	1% Decrease (6.4%)	Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 23,555	\$ 18,809	\$ 14,692
PERS 2/3	46,233	6,028	(26,963)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020 and 2019, Grant PUD reported a total pension liability for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2020 and 2019):

Liability (amounts in thousands)	2020	2019
PERS 1	\$ 17,549	\$ 18,809
PERS 2/3	8,178	6,028
Total	\$ 25,727	\$ 24,837

Notes to the Financial Statements (cont.)

Grant PUD's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.489144%	0.497050%	0.007906%
PERS 2/3	0.620593%	0.639436%	0.018843%

	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.493735%	0.489144%	-0.004591%
PERS 2/3	0.622917%	0.620593%	-0.002324%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of *Employer and Nonemployer Allocations*.

The 2020 and 2019 collective net pension liability was measured as of June 30, 2020 and 2019, respectively, and the actuarial valuation dates on which the total pension liability is based was as of June 30, 2019 and 2018, respectively, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2020 and 2019, Grant PUD recognized pension expense as follows:

Pension Expense (amounts in thousands)	2020	2019
PERS 1	\$ 1,046	\$ 655
PERS 2/3	623	684
Total	\$ 1,669	\$ 1,339

Notes to the Financial Statements (cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020 and 2019, respectively, Grant PUD recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
(amounts in thousands)				
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 98	\$ -	\$ 1,257
Contributions subsequent to measurement date	1,893	-	1,714	-
Total	\$ 1,893	\$ 98	\$ 1,714	\$ 1,257

PERS Plan 2/3	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
(amounts in thousands)				
Differences between expected and actual experience	\$ 2,928	\$ 1,025	\$ 1,727	\$ 1,296
Net difference between projected and actual investment earnings on pension plan investments	-	415	-	8,774
Changes of assumptions	116	5,586	155	2,529
Changes in proportion and differences between contributions and proportionate share of contributions	267	628	-	845
Contributions subsequent to measurement date	3,064	-	2,814	-
Total	\$ 6,375	\$ 7,654	\$ 4,696	\$ 13,444

Notes to the Financial Statements (cont.)

Deferred outflows of resources related to pensions resulting from Grant PUD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(amounts in thousands)

Year ended December 31:

	PERS 1	PERS 2/3
2021	\$ (443)	\$ (3,510)
2022	(14)	(928)
2023	135	28
2024	224	662
2025	-	(280)
Thereafter	-	(315)
	<u>\$ (98)</u>	<u>\$ (4,343)</u>

Deferred Compensation Plans

Grant PUD offers its employees a deferred compensation plan created under Internal Revenue Code Section 457(b), which permits employees to defer a portion of their compensation until future years. The plan is available to all active employees. Grant PUD has no liability for losses under the plan; it is completely funded with employee contributions.

Grant PUD also administers a 401(a) governmental money purchase plan and trust. Eligible employees are enrolled in the 401(a) defined contribution plan upon becoming eligible in order to receive the employer contribution. Employees may also elect to contribute to the plan and the election must be made at the time the employee becomes eligible to participate. Employee elections cannot be changed during the time of their employment. Eligible employees can also elect to contribute to the 457(b) plan as discussed above. Beginning in 2020, Grant PUD contributed into employees' 401(a) 3% of straight-time wages for the pay period and contributions by the employee were not required. In 2019, Grant PUD provided matching employer contributions (\$0.50 per \$1 of employee contributions) to the 401(a) plan, which were capped at 2% of straight-time employee wages for the pay period. Grant PUD made contributions of approximately \$1.8 million and \$1.0 million as of December 31, 2020 and 2019, respectively.

9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

Plan Description

Grant PUD administers a single-employer defined benefit premium program ("the retiree subsidy plan"). The retiree subsidy plan may be amended through collective bargaining (for bargaining unit employees) and ratified by Grant PUD's Commission, or changed without bargaining for non-bargaining unit employees. The retiree subsidy plan does not issue a publicly available financial report.

Notes to the Financial Statements (cont.)

Benefits Provided

Grant PUD pays a portion of the medical premiums for eligible retirees and their spouses from age 59 ½ until age 65. Retirees younger than 59 ½ may continue to receive coverage on a self-pay basis. The percentage of the medical premiums based upon years of full-time service of the retirees. At the age of 59 ½, the retiree is eligible for a subsidy of 3% of their premium cost for each year of service (years x 3% x retiree premium). The subsidy cannot be more than the premium amount paid for active employees and is effective until the retiree turns 65. The monthly cap for 2019 was \$499.40 for employee coverage and \$1,149.38 for employee and spouse coverage. The monthly cap for 2020 was \$539.95 for employee coverage and \$1,241.85 for employee and spouse coverage and is not expected to change for 2021. Retirees may seek COBRA coverage (subject to all COBRA provisions) through Grant PUD's group health insurance plan, the Central Washington Public Utilities Unified Insurance Program Trust (Trust) or find independent coverage.

Employees Covered by Benefit Terms

At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	<u>2020</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefit payments	77	67
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	731	651
Total number of participants	<u>808</u>	<u>718</u>

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

Grant PUD paid approximately \$0.4 million in retiree subsidies for each of the years ended December 31, 2020 and 2019.

Total OPEB Liability

Grant PUD's total OPEB liability for December 31, 2020 was determined by an actuarial valuation dated December 31, 2019, rolled forward to the December 31, 2020, measurement date. The December 31, 2019 was measured as of December 31, 2019 with an actuarial valuation date of December 31, 2019.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years 2020 and 2019:

Aggregate OPEB Amounts - All Plans (amounts in thousands)

	<u>2020</u>	<u>2019</u>
OPEB liabilities	\$ 10,364	\$ 9,705
Deferred Outflows of Resources	2,368	2,291
Deferred Inflows of Resources	-	-
OPEB expense	1,115	877

Notes to the Financial Statements (cont.)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2015 Economic experience Study*.

Actuarial Cost Method:	Entry Age Normal
Discount Rate:	2.25% and 2.75% for 2020 and 2019, respectively (based on all years discounted at Bond Buyer 20-year Bond General Obligation Index)
General Inflation:	2.50% per year
Wage Growth:	3.0% per year
Merit and Longevity Scale:	Salaries are assumed to increase at the sum of the Wage Growth assumption and the merit and longevity scale below:

Years of Service	Rate
0	6.00%
5	2.20%
10	0.50%
15	0.20%
18+	0.00%

Annual Premium Increase Rate: The assumed increases for medical plans are:

Year	Rate	Year	Rate
2020-21	6.20%	2031-32	5.20%
2021-22	6.10%	2032-33	5.10%
2022-23	6.00%	2033-34	5.00%
2023-24	5.90%	2034-35	4.90%
2024-25	5.80%	2035-36	4.80%
2025-26	5.70%	2036-37	4.70%
2026-27	5.60%	2037-38	4.60%
2027-28	5.50%	2038+	4.50%
2028-29	5.40%		

The initial rates in the table above are based in part on the 2019 Segal Health Plan Cost Trend Survey. Rates are trended down in subsequent years in accordance with prevalent actuarial practice, based in part on the Society of Actuaries – Getzen Long-Term Healthcare Trends Resource Model, as updated October 2019.

Mortality Rates: Retirement Plan 2000, combined active/healthy retired, no collar, sex-distinct, projected fully generationally with Scale BB.

Notes to the Financial Statements (cont.)

Turnover Rates

Generally as developed for the valuation of benefits under Washington PERS. Examples of turnover rates are as follows:

Service	Male	Female
0	26.24%	26.24%
5	5.44%	6.65%
10	3.37%	4.17%
15	2.36%	2.77%
20	1.53%	1.80%
25	0.74%	0.94%
30+	0.36%	0.49%

Disability Rates

As developed for the valuation of benefits under Washington PERS. Sample rates are as follows:

Age	Male	Female
20	0.0000%	0.0000%
40	0.0235%	0.0275%
60	0.7863%	0.7681%
80	0.0000%	0.0000%

Retirement Rates

Eligible Employees are assumed to delay retirement until reaching the eligibility requirements for the Retiree Subsidy. Employees participating in PERS are assumed to delay retirement until reaching PERS eligibility, if later.

Employees with fewer than 30 years of service are assumed to retire with rates as follows:

Age	Male	Female
55	2.00%	2.00%
56	3.00%	2.00%
57	4.00%	2.00%
58	5.00%	2.00%
59	6.00%	4.00%
60	7.00%	6.00%
61	8.00%	13.00%
62	24.00%	20.00%
63	22.00%	18.00%
64	56.00%	56.00%
65	40.00%	40.00%

Notes to the Financial Statements (cont.)

Employees with 30 or more years of service are assumed to retire with rates as follows:

Age	Male	Female
55	12.00%	12.00%
56	12.00%	12.00%
57	12.00%	12.00%
58	12.00%	12.00%
59	16.00%	24.00%
60	12.00%	12.00%
61	20.00%	20.00%
62	28.00%	28.00%
63	26.00%	26.00%
64	56.00%	56.00%
65	40.00%	40.00%

Participation 100% of actives eligible for Grant PUD-paid medical benefits are assumed to be enrolled in a medical plan at retirement.

Plan Enrollment Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled, if any.

Marital Status 65% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees.

Coverage of Eligible Children We have assumed no impact of dependent children on the implicit rate subsidy.

Health Care Claims Costs 2020 claim costs for an age 64 retiree or spouse are assumed to be \$14,150 for PPO and \$9,700 for CDHP.

Aging Factors Aging factors are used to adjust the age 64 per capita claims cost. Percentages shown below age 64 reduce the claim costs.

Attained Age	Factor
Under 40	4.00% per year
40-44	3.75% per year
45-49	3.50% per year
50-54	3.00% per year
55-64	3.25% per year

Notes to the Financial Statements (cont.)

Change in Assumptions and Methods Actuarial results reflect the following changes in assumptions and methods:

- The interest rate for discounting future liabilities was lowered to reflect current municipal bond rates, as outlined in GASB Statement 75.
- Premium increases were modified to reflect anticipated experience.
- Assumptions pertaining specifically to the implicit medical benefit (participation, coverage of eligible children, health care claims costs, and aging factors) were introduced.

Changes in Total OPEB Liability

(amounts in thousands)	2020 Increase (Decrease) Total OPEB Liability	2019 Increase (Decrease) Total OPEB Liability
Total OPEB Liability at January 1	\$ 9,705	\$ 6,977
Service Cost	550	372
Interest	274	249
Changes of benefit terms	-	-
Differences between expected and actual experience	-	255
Changes of assumptions	368	2,291
Benefit payments	(533)	(439)
Net change in total OPEB liability	659	2,728
Total OPEB Liability at December 31	\$ 10,364	\$ 9,705

Notes to the Financial Statements (cont.)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of Grant PUD calculated using the discount rate of 2.25 percent and 2.75 percent as of December 31, 2020 and 2019, respectively, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1%	Current	1%
	Decrease	Discount Rate	Increase
2020	1.25%	2.25%	3.25%
(amounts in thousands)			
Total OPEB liability	\$ 11,200	\$ 10,364	\$ 9,569
	1%	Current	1%
	Decrease	Discount Rate	Increase
2019	1.75%	2.75%	3.75%
(amounts in thousands)			
Total OPEB liability	\$ 10,496	\$ 9,705	\$ 8,960

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of Grant PUD calculated using the current healthcare cost trend rate of 6.3 percent as of December 31, 2020 and 2019, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.3%) or 1-percentage point higher (7.3%) than the current rate.

	1%	Current	1%
	Decrease	Discount Rate	Increase
2020	5.30% Graded	6.30% Graded	7.30% Graded
(amounts in thousands)	Down to 3.50%	Down to 4.50%	Down to 5.00%
Total OPEB liability	\$ 9,054	\$ 10,364	\$ 11,937
	1%	Current	1%
	Decrease	Discount Rate	Increase
2019	5.30% Graded	6.30% Graded	7.30% Graded
(amounts in thousands)	Down to 4.00%	Down to 5.00%	Down to 6.00%
Total OPEB liability	\$ 8,592	\$ 9,705	\$ 11,035

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020 and 2019, Grant PUD reported a liability of \$10.4 million and \$9.7 million, respectively. The total OPEB liability is based on the present value of the portion of future expected benefit payments that is considered to have been already earned by the participants. In future years, changes in the total OPEB liability due to actuarial gains or losses or changes in assumptions will be amortized over the average expected future working lifetime of participants, with unamortized amounts treated as deferred outflows or inflows of resources.

Notes to the Financial Statements (cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020 and 2019, the District recognized deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

(amounts in thousands)	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 204	\$ -	\$ 229	\$ -
Change in assumptions	2,164	-	2,062	-
Total	\$ 2,368	\$ -	\$ 2,291	\$ -

The deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(amounts in thousands)	
Year ended December 31:	
2021	\$ 291
2022	291
2023	291
2024	291
2025	291
Thereafter	913
Total	\$ 2,368

OPEB Expense

Grant PUD’s annual OPEB cost (expense) is equal to the change in total OPEB liability, plus or minus changes in deferred outflows or inflows, plus employer contributions. For the years ended December 31, 2020 and 2019, Grant PUD recognized OPEB expense of \$1.1 million and \$0.9 million, respectively.

10. CONTINGENCIES

Grant PUD is involved in various claims arising in the normal course of business. Grant PUD does not believe that the ultimate outcome of these matters will have a material impact on its financial position, results of operations, or cash flows.

11. WHOLESALE FIBER OPTIC NETWORK

Grant PUD is installing a wholesale fiber optic network to the premises in its service area. This fiber optic network is interconnected with multiple regional and national telecommunications carriers. The wholesale fiber optic network is available to retail and wholesale providers of Internet, telephone, and video services. Grant PUD has also implemented a wholesale wireless network which is available to retail wireless providers.

The following is a summary of the results of operations of the wholesale fiber optic and wireless networks, and the related utility plant balances and related additions, as of and for the years ended December 31, 2020 and 2019:

(amounts in thousands)	2020	2019
Operating revenues		
Wholesale fiber services	\$ 9,962	\$ 8,733
Dark fiber revenue	627	608
Wireless fiber revenue	82	91
Wholesale fiber optic network sales	<u>10,671</u>	<u>9,432</u>
Operating expenses		
Administrative and general	1,265	1,374
Repairs and maintenance	992	1,348
Depreciation	9,595	8,551
Total operating expenses	<u>\$ 11,852</u>	<u>\$ 11,273</u>
Nonoperating revenues		
Contributions in aid of construction	\$ 34	\$ 53
Utility plant		
Additions to utility plant	\$ 20,251	\$ 14,133
Utility plant, net of accumulated depreciation	100,153	89,496

12. SUBSEQUENT EVENTS

On April 1, 2021, Grant PUD, Energy Northwest and X-energy signed a memorandum of understanding (MOU) announcing their intent to form the TRi Energy Partnership. The MOU establishes a mutual partnership to support the development and commercial demonstration of the country's first advanced nuclear reactor. The partners will collaborate and share resources to evaluate their mutual goal of siting, building, and operating a Xe-100 advanced nuclear power plant at an existing Energy Northwest site north of Richland, with the potential to generate up to 320 megawatts of reliable, carbon-free energy. Through the TRi Energy Partnership, the parties will evaluate each step of the project and identify the best approach to licensing, permitting, construction, operation, and ownership. The MOU represents a statement of intent and is not legally binding nor does it create an exclusive relationship between the Parties. There are no liabilities or commitments required to be reported in the financial statements at this time.

13. SEGMENTS

Grant PUD has outstanding revenue bonds used to finance the Electric System and the Priest Rapids Project. As described in Note 5, all the outstanding bond issues are secured by a pledge of the net revenues of Grant PUD. The Electric System has committed to cover, without limitation, any costs incurred by the Priest Rapids Project that are not covered by purchasers other than Grant PUD.

Each system is required to be accounted for separately according to external contractual requirements. The following condensed financial statements of the operating segments of Grant PUD include the Electric System and the Priest Rapids Project. Grant PUD's Service System, as well as eliminating internal transactions, is presented as "Other" in order to reconcile to the consolidated Grant PUD's results. "Other" is not considered a segment of Grant PUD.

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF NET POSITION

DECEMBER 31, 2020 (AMOUNTS IN THOUSANDS)	Electric System	Priest Rapids Project	Other	Total
ASSETS				
Other current assets	\$ 138,561	\$ 83,611	\$ 11,517	\$ 233,689
Intersystem receivables	19	9	(28)	-
Intersystem loan receivable	37,036	-	(37,036)	-
Utility plant, net	640,516	1,554,889	-	2,195,405
Noncurrent intersystem loan receivable	392,420	-	(392,420)	-
Other noncurrent assets	109,310	189,785	-	299,095
TOTAL ASSETS	1,317,862	1,828,294	(417,967)	2,728,189
Deferred outflows of resources	27,400	33,221	(16,104)	44,517
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,345,262	1,861,515	(434,071)	2,772,706
LIABILITIES				
Other current liabilities	95,444	82,442	15,111	192,997
Intersystem payables	2,167	1,542	(3,709)	-
Accrued interest intersystem loan payable	-	7,724	(7,724)	-
Intersystem loan payable	-	8,190	(8,190)	-
Noncurrent intersystem loan payable	-	413,542	(413,542)	-
Other noncurrent liabilities	268,249	964,103	-	1,232,352
TOTAL LIABILITIES	365,860	1,477,543	(418,054)	1,425,349
Deferred Inflows of resources	3,037	20,819	(16,104)	7,752
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	368,897	1,498,362	(434,158)	1,433,101
NET POSITION				
Net investment in capital assets	338,442	219,141	423,426	981,009
Restricted	119,185	178,070	9,939	307,194
Unrestricted	518,738	(34,058)	(433,278)	51,402
TOTAL NET POSITION	976,365	363,153	87	1,339,605
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,345,262	\$ 1,861,515	\$ (434,071)	\$ 2,772,706

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2020 (amounts in thousands)	Electric System	Priest Rapids Project	Other	Total
OPERATING REVENUES				
Retail energy sales	\$ 209,777	\$ -	\$ -	\$ 209,777
Wholesale revenues, net	48,153	-	33,821	81,974
Sales to power purchasers at cost	-	174,892	(146,984)	27,908
Other	12,385	-	-	12,385
Total operating revenues	270,315	174,892	(113,163)	332,044
OPERATING EXPENSES				
Depreciation and amortization	43,113	35,564	-	78,677
Other operating expenses	184,470	81,085	(113,163)	152,392
Total operating expenses	227,583	116,649	(113,163)	231,069
NET OPERATING INCOME	42,732	58,243	-	100,975
OTHER REVENUES (EXPENSES)				
Interest and other income	22,861	10,325	(13,617)	19,569
Interest on revenue bonds and other, net	(7,231)	(52,320)	15,384	(44,167)
Federal rebates on revenue bonds	-	10,616	-	10,616
Amortization of debt discount/premium	1,144	(3,779)	(1,771)	(4,406)
Cost of debt issuance	(1,141)	(1,796)	-	(2,937)
Total other revenues (expenses)	15,633	(36,954)	(4)	(21,325)
CONTRIBUTIONS IN AID OF CONSTRUCTION	13,957	-	-	13,957
CHANGE IN NET POSITION	72,322	21,289	(4)	93,607
NET POSITION				
Beginning of year	904,043	341,864	91	1,245,998
End of year	\$ 976,365	\$ 363,153	\$ 87	\$ 1,339,605

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020 (amounts in thousands)	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 85,056	\$ 77,427	\$ 3,665	\$ 166,148
Net cash provided by (used in) capital and related financing activities	(120,596)	(155,743)	1,196	(275,143)
Net cash provided by (used in) investing activities	35,877	68,390	11,506	115,773
NET INCREASE/(DECREASE) IN CASH	\$ 337	\$ (9,926)	\$ 16,367	\$ 6,778
CASH AT END OF YEAR	\$ 2,857	\$ 3,076	\$ 2,500	\$ 8,433
CASH AT BEGINNING OF YEAR	2,520	13,002	(13,867)	1,655
NET INCREASE/(DECREASE) IN CASH	\$ 337	\$ (9,926)	\$ 16,367	\$ 6,778

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF NET POSITION

DECEMBER 31, 2019 (amounts in thousands)	Electric System	Priest Rapids Project	Other	Total
ASSETS				
Other current assets	\$ 158,521	\$ 126,175	\$ 7,759	\$ 292,455
Intersystem receivables	7,291	25	(7,316)	-
Intersystem loan receivable	11,967	-	(11,967)	-
Utility plant, net	608,014	1,563,366	-	2,171,380
Noncurrent intersystem loan receivable	343,917	-	(343,917)	-
Other noncurrent assets	111,432	213,543	(2,186)	322,789
TOTAL ASSETS	1,241,142	1,903,109	(357,627)	2,786,624
Deferred outflows of resources	23,718	8,471	(19,989)	12,200
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,264,860	1,911,580	(377,616)	2,798,824
LIABILITIES				
Other current liabilities	88,479	106,213	6,358	201,050
Intersystem payables	4,188	4,004	(8,192)	-
Accrued interest intersystem loan payable	-	6,892	(6,892)	-
Intersystem loan payable	-	5,075	(5,075)	-
Noncurrent intersystem loan payable	-	343,917	(343,917)	-
Other noncurrent liabilities	262,260	1,074,814	-	1,337,074
TOTAL LIABILITIES	354,927	1,540,915	(357,718)	1,538,124
Deferred inflows of resources	5,760	28,931	(19,989)	14,702
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	360,687	1,569,846	(377,707)	1,552,826
NET POSITION				
Net investment in capital assets	310,952	208,500	348,680	868,132
Restricted	142,312	178,701	(506)	320,507
Unrestricted	450,909	(45,467)	(348,083)	57,359
TOTAL NET POSITION	904,173	341,734	91	1,245,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,264,860	\$ 1,911,580	\$ (377,616)	\$ 2,798,824

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**YEAR ENDED DECEMBER 31, 2019
(RECLASSIFIED)*
(amounts in thousands)**

	Electric System	Priest Rapids Project	Other	Total
OPERATING REVENUES				
Retail energy sales	\$ 209,896	\$ -	\$ -	\$ 209,896
Wholesale revenues, net	19,775	-	49,606	69,381
Sales to power purchasers at cost	-	168,704	(138,770)	29,934
Other	11,963	-	-	11,963
Total operating revenues	241,634	168,704	(89,164)	321,174
OPERATING EXPENSES				
Depreciation and amortization	41,045	35,005	-	76,050
Other operating expenses	157,347	76,111	(89,164)	144,294
Total operating expenses	198,392	111,116	(89,164)	220,344
NET OPERATING INCOME	43,242	57,588	-	100,830
OTHER REVENUES (EXPENSES)				
Interest and other income	20,132	12,773	(10,581)	22,324
Interest on revenue bonds and other, net	(9,746)	(61,539)	11,941	(59,344)
Federal rebates on revenue bonds	-	10,545	-	10,545
Amortization of debt expense, discount,	546	4,281	(1,287)	3,540
Cost of debt issuance	(141)	-	-	(141)
Total other revenues (expenses)	10,791	(33,940)	73	(23,076)
CONTRIBUTIONS IN AID OF CONSTRUCTION	8,511	-	-	8,511
CHANGE IN NET POSITION	62,544	23,648	73	86,265
NET POSITION				
Beginning of year	841,629	318,086	18	1,159,733
End of year	\$ 904,173	\$ 341,734	\$ 91	\$ 1,245,998

*The District's 2019 Segment Statements of Revenues and Expenses and Changes in Net Position were reclassified for the impacts of the change in wholesale accounting policy, as described in Note 1.

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2019
(ORIGINALLY STATED)*
(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
OPERATING REVENUES				
Retail energy sales	\$ 209,896	\$ -	\$ -	\$ 209,896
Wholesale revenues, net	41,039	-	28,342	69,381
Sales to power purchasers at cost	-	168,704	(138,770)	29,934
Other	11,963	-	-	11,963
Total operating revenues	262,898	168,704	(110,428)	321,174
OPERATING EXPENSES				
Depreciation and amortization	41,045	35,005	-	76,050
Other operating expenses	178,611	76,111	(110,428)	144,294
Total operating expenses	219,656	111,116	(110,428)	220,344
NET OPERATING INCOME	43,242	57,588	-	100,830
OTHER REVENUES (EXPENSES)				
Interest and other income	20,132	12,773	(10,581)	22,324
Interest on revenue bonds and other, net	(9,746)	(61,539)	11,941	(59,344)
Federal rebates on revenue bonds	-	10,545	-	10,545
Amortization of debt expense, discount, and premium	546	4,281	(1,287)	3,540
Cost of debt issuance	(141)	-	-	(141)
Total other revenues (expenses)	10,791	(33,940)	73	(23,076)
CONTRIBUTIONS IN AID OF CONSTRUCTION	8,511	-	-	8,511
CHANGE IN NET POSITION	62,544	23,648	73	86,265
NET POSITION				
Beginning of year	841,629	318,086	18	1,159,733
End of year	\$ 904,173	\$ 341,734	\$ 91	\$ 1,245,998

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 64,392	\$ 111,640	\$ 2,359	\$ 178,391
Net cash provided by (used in) capital and related financing activities	(137,850)	(35,595)	(579)	(174,024)
Net cash provided by (used in) investing activities	72,348	(63,337)	(15,611)	(6,600)
NET INCREASE/(DECREASE) IN CASH	\$ (1,110)	\$ 12,708	\$ (13,831)	\$ (2,233)
CASH AT END OF YEAR	\$ 2,520	\$ 13,002	\$ (13,867)	\$ 1,655
CASH AT BEGINNING OF YEAR	3,630	294	(36)	3,888
NET INCREASE/(DECREASE) IN CASH	\$ (1,110)	\$ 12,708	\$ (13,831)	\$ (2,233)

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

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Required Supplementary Information (Unaudited)

Schedule of the District's Proportionate Share of the Net Pension Liability (amounts in thousands)

Measurement Date Ended June 30	2020	2019	2018	PERS 1			
				2017	2016	2015	2014
Proportion of the net pension liability	0.497050%	0.489144%	0.493735%	0.509107%	0.524928%	0.544648%	0.574446%
Proportionate share of the net pension liability	\$ 17,549	\$ 18,809	\$ 22,050	\$ 24,158	\$ 28,191	\$ 28,490	\$ 28,938
Covered-employee payroll	72,226	68,079	65,002	63,510	61,646	56,606	63,970
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	24.30%	27.63%	33.92%	38.04%	45.73%	50.33%	45.24%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%
				PERS 2/3			
Measurement Date Ended June 30	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.639436%	0.620593%	0.622917%	0.639308%	0.650080%	0.679264%	0.706321%
Proportionate share of the net pension liability	\$ 8,178	\$ 6,028	\$ 10,636	\$ 22,213	\$ 32,731	\$ 24,271	\$ 14,277
Covered-employee payroll	71,878	67,595	64,541	62,862	60,733	55,717	62,709
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.38%	8.92%	16.48%	35.34%	53.89%	43.56%	22.77%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, Grant PUD will present information for only those years for which information is available.

Grant PUD implemented GASB 68 effective January 1, 2014.

Required Supplementary Information (Unaudited)

Schedule of the District's Contributions
(amounts in thousands)

	PERS 1									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 3,645	\$ 3,510	\$ 3,385	\$ 3,222	\$ 2,985	\$ 2,653	\$ 2,535	\$ 2,043	\$ 883	\$ 146
Contributions in Relation to the Contractually Required Contribution Subtotal	<u>(3,645)</u>	<u>(3,510)</u>	<u>(3,385)</u>	<u>(3,222)</u>	<u>(2,985)</u>	<u>(2,653)</u>	<u>(2,535)</u>	<u>(2,043)</u>	<u>(883)</u>	<u>(146)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$75,385	\$70,371	\$66,174	\$64,999	\$61,575	\$59,113	\$61,536	\$61,088	\$59,498	\$60,157
Contributions as a Percentage of Covered Employee	4.84%	4.99%	5.12%	4.96%	4.85%	4.49%	4.12%	3.34%	1.48%	0.24%
	PERS 2/3									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 5,942	\$ 5,403	\$ 4,927	\$ 4,418	\$ 3,788	\$ 3,293	\$ 3,022	\$ 2,873	\$ 3,297	\$ 3,022
Contributions in Relation to the Contractually Required Contribution	<u>(5,942)</u>	<u>(5,403)</u>	<u>(4,927)</u>	<u>(4,418)</u>	<u>(3,788)</u>	<u>(3,293)</u>	<u>(3,022)</u>	<u>(2,873)</u>	<u>(3,297)</u>	<u>(3,022)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$75,031	\$69,956	\$65,702	\$64,444	\$60,809	\$58,216	\$60,489	\$59,776	\$57,410	\$57,713
Contributions as a Percentage of Covered Employee	7.92%	7.72%	7.50%	6.86%	6.23%	5.66%	5.00%	4.81%	5.74%	5.24%

Required Supplementary Information (Unaudited)

Schedule of Changes in Total OPEB Liability and Related Ratios (amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability - beginning	\$ 9,705	\$ 6,977	\$ 6,806	\$ 6,525
Service Cost	550	372	362	351
Interest on Total OPEB Liability	274	249	237	229
Changes of Benefit Terms	-	-	-	-
Effect of Economic/Demographic Gains or (Losses)	-	255	-	-
Effect of Assumptions Changes or Inputs	368	2,291	-	-
Benefit Payments	(533)	(439)	(428)	(299)
Net Change in Total OPEB Liability	659	2,728	171	281
Total OPEB Liability - Ending	<u>\$ 10,364</u>	<u>\$ 9,705</u>	<u>\$ 6,977</u>	<u>\$ 6,806</u>
Covered-Employee Payroll	\$ 69,978	\$ 67,940	\$ 68,629	\$ 66,630
Total OPEB Liability as a Percentage of Covered-Employee Payroll	14.81%	14.28%	10.17%	10.21%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, Grant PUD will present information for only those years for which information is available.

During fiscal year 2019 assumptions pertaining specifically to the implicit medical benefit (participation, coverage of eligible children, health care claims costs, and aging factor) were introduced.

Grant PUD implemented GASB 75 effective January 1, 2017.

There are no assets accumulated in a qualified trust to provide benefits under the plan.





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